



SHENZHEN TELLUS HOLDING CO., LTD

Annual Report 2017

April 2018

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.

Lv Hang, 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 2017 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 Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

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Paraphrase

Items	Refers to	Contents
CSRC	Refers to	China Securities Regulatory Commission
SZ Exchange	Refers to	Shenzhen Stock Exchange
Shenzhen Branch of SD&C	Refers to	Shenzhen Branch of China Securities Depository & Clearing Corporation Limited
Company, the Company, our Company, Tellus Group	Refers to	Shenzhen Tellus Holding Co., Ltd.
Reporting period, this reporting period, this year	Refers to	Year of 2017
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 SD Huari Automobile Enterprise Co.Limited
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	Refers to	Sichuan Tellus Jewelry Technology Co., Ltd.
Xinglong Company	Refers to	Shenzhen Xinglong Machinery Co., Ltd
Tellus Property Company	Refers to	Shenzhen SD Tellus Property Management 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	Lv Hang		
Registrations add.	3/F, TellusBuilding, Shui Bei Er Road, Luohu District, Shenzhen		
Code for registrations add	518020		
Offices add.	15/F, CNNCBuilding, 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, CNNCBuilding, Shennan Middle Road, Futian District, Shenzhen	15/F, CNNCBuilding, 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	http://www.cninfo.com.cn
Preparation place for annual report	Secretariat of the Board of Directors 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.SDG reduced circulation stocks with unrestricted in 2016 by concentrated bidding, which accounts for 2% of total shares of the Company. Till the end of 2017, SDG holds49.09% of the total share capital of the Company, 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

	2017	2016	Changes over last year	2015
Operating income (RMB)	347,237,289.80	324,240,841.90	7.09%	303,726,790.57
Net profit attributable to shareholders of the listed	66,862,772.68	27,193,562.63	145.88%	42,768,789.52

Company(RMB)				
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses(RMB)	54,431,067.47	24,233,716.21	124.61%	28,588,480.42
Net cash flow arising from operating activities(RMB)	-2,093,068.05	57,874,934.32		80,682,627.33
Basic earnings per share (RMB/Share)	0.2249	0.0915	145.79%	0.1538
Diluted earnings per share (RMB/Share)	0.2249	0.0915	145.79%	0.1538
Weighted average ROE	7.20%	3.08%	4.12%	6.21%
	End of 2017	End of 2016	Changes over end of last year	End of 2015
Total assets (RMB)	1,403,314,594.42	1,189,001,074.98	18.02%	1,168,667,927.49
Net assets attributable to shareholder of listed Company (RMB)	963,259,056.63	895,362,614.95	7.58%	868,169,052.32

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 st Q	2 nd Q	3 rd Q	4 th Q
Operating income	81,147,771.18	79,836,333.38	77,386,017.88	108,867,167.36
Net profit attributable to	4,494,980.27	20,101,924.82	16,007,734.85	26,258,132.74

shareholders of the listed Company				
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses	4,075,861.27	13,629,184.84	13,138,710.26	23,587,311.10
Net cash flow arising from operating activities	6,177,082.70	1,203,478.70	32,404,498.57	-41,878,128.02

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 extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

Item	2017	2016	2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	5,523,267.93	-51,690.07	-34,345.09	
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)	25,753.22		371,850.00	
Fund possession cost reckoned into current gains/losses charged from non-financial business	76,041.64			
Gains/losses from entrust investment or assets management	6,606,218.86	3,916,317.84	5,740,301.35	
Gains/losses from contingency without routine business concerned		-1,192,618.90	-61,965.00	
Restoring of receivable impairment provision that tested individually	15,000.00		31,980.00	
Other non-operating income and expenditure except for the aforementioned items	690,397.76	-70,940.53	118,638.89	
Other items (gain/loss) conformed to the definition of the extraordinary profit (gain)/loss			9,722,688.86	
Less: Impact on income tax	59,964.10	-170,101.35	1,576,392.95	
Impact on minority shareholders' equity	445,010.10	-188,676.73	132,446.96	

(post-tax)				
Total	12,431,705.21	2,959,846.42	14,180,309.10	--

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 is car sales; car testing, maintenance, accessories sales and resource asset management.

1. Car sales, testing, maintenance and accessories sales: During the reporting period, the company overcame market difficulties, optimized the relevant business segments by strengthening the operation and control of the holding companies, the performance of the holding companies of various automobile business segments continued to rise, and the holding subsidiary Huari Company hit a new high in the operating profits after continuously turning losses into gains in 2015 and 2016 and continued to maintain a good momentum of development. The company's auto sales revenue for the full year was 146.15 million Yuan, an increase of 5.37% over the same period of last year.

2. Resource assets management

During the reporting period, the company adopted a variety of business methods to improve the performance, and achieved resource asset management income of more than 90 million Yuan, reaching their highest level.

3. Jewelry service business: During the reporting period, the company closely focused on the strategic thinking of transforming to a comprehensive service operator for the jewelry industry and fully promoted the company's strategy implementation.

During the reporting period, the company used the raised funds to invest in the establishment of Sichuan Tellus Jewelry Technology Co., Ltd., and successfully launched operations and achieved the landing of the regional jewelry channel platform, completed the preparatory work for the establishment of the jewelry industry innovation investment fund, including the selection of fund partners, discussion and confirmation of specific elements of the fund program, market research on some jewelry internet platform enterprises, and shall actively promote and implement the fund investment projects. In order to successfully transform to the jewelry industry, after market survey and industry research, the company submitted the "Tellus Group Innovation and Creation Base Construction Plan" to the Development and Reform Commission of Shenzhen Municipality and was awarded the Shenzhen Innovative and Creative Base, and the tentative implementation plan is being implemented. In September 2017, Tellus was successfully elected as the president unit of the Shenzhen Jewelry Designers Association, and at the end of 2017, it promoted the designer counter to enter the platform projects in Sichuan and Anhui so as to provide basic guarantees and strong support for building the designer innovation and entrepreneurial platforms in the future.

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 st December 2017 amounting to 284.4647 million Yuan, increased 80.8314 million Yuan over that of period beginning with 39.69% goes up, mainly because purchasing 13% equity of Xinglong Company and the investment income of share-holding enterprise accrual by equity increased in the period
Fixed assets	No major change
Intangible assets	No major change
Construction in progress	Book value of the construction in progress till end of 31 st December 2017 amounting to 378.1609 million Yuan, an increase of 34.7956 million Yuan from a year earlier with 10.13% up. Mainly due to the continuous input on Shuibe Jewelry Building
Other current assets	Book value of other current assets till end of 31 st December 2017 amounting to 219.5823 million Yuan, an increase of 129.4583 million Yuan from a year earlier with 143.64% up, mainly due to the increase of financial products in the period.
Account receivable	Book value of account receivable till end of 31 st December 2017 amounting to 44.2152 million Yuan, an increase of 44.1015 million Yuan from a year earlier, mainly because the wholesale credit for jewelry from subsidiary Sichuan Tellus Company increased in the period
Account paid in advance	Book value of account paid in advance till end of 31 st December 2017 amounting to 3.7377 million Yuan, a decrease of 4.699 million Yuan from a year earlier with 55.7% down, mainly because account paid in advance to FAW Toyota from Huari Toyota and rent for shopping malls from Anhui Company declined in the period

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. Master the core area resources of property in jewelry industry

Shenzhen jewelry's output value accounts for more than 70% of the national jewelry industry, and Shuibe-Buxin area is the core gathering area of Shenzhen jewelry industry with over 70% in aspect of output value of the jewelry industry in Shenzhen, 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 urban renewal “13th Five-Year” Plan of the Luohu District in Shenzhen, Shuibei-Buxin area will be built as the Jewelry Fashion Industry Zone in Luohu District, including the international jewelry art center in Shuibei, and the jewelry intelligence high-end manufacturing center in Buxin, the international jewelry ecological creative city will be established. The company is the largest owner in the Tellus Gimeng Gold Jewelry Industry Park in Shuibei. The phase I of Tellus Shuibei Jewelry Building will soon be put into use, and the phase II project will also soon be launched; and the Company is also the largest owner of the #04 and #05 plots in the urban renewal unit planning project for Buxin industrial park. In 2017, the Company engaged the intermediary agency to conduct a comprehensive planning for Buxin property and will make full efforts to promote the renovation of Buxin property, and the property area owned by Tellus in this area will increase from 37,000m² to 70,000 - 80,000m² after the completion of renovation project. The Company will continue to maintain its position as the largest owner of Shuibei and Buxin areas, and grasp the resource advantages of physical platforms in the core area of jewelry industry.

2. Meet the core platform enterprise requirements for jewelry industry chain

In recent years, the jewelry market pattern has undergone drastic changes, at the same time, affected by the financial policies such as deleveraging and financial risk prevention, the banks reduced the credit scale, which brought financing difficulties to the entire jewelry industry and restricted the industry development. In 2018, in order to respond to the spirit of “strengthening the reform of financial system and enhancing the economic capabilities of financial services entities” proposed by the 19th National Congress of the Communist Party of China, the banks has formulated various supportive policies and intensified their cooperation with state-owned enterprises, and to carrying out inclusive financial services by cooperating with the core platform enterprise within the industry; and service entity economy by emphasized on the financial supporting to medium, small and micro enterprises. Under these circumstances, credit endorsement ability and vital function of the state-owned enterprise increasingly enhanced, as the state-owned enterprise in jewelry industry, the special identity advantage are more and more prominent.

The Company mapped out its strategic blueprint as creating the third-party operation integrated service provider in the jewelry industry, without participate in the specific operations of jewelry products, and compete for the stock market businesses either; but to avoiding directly interest conflict with jewelry enterprise by innovating new business models to fill up the market vacancies and explore the incremental markets. After decades of hard work transformation to the jewelry industry, the Company has closely strategy cooperation with many corporate champion within the jewelry industry, many jewelry innovation platform projects jointly investment are landing operation, and we will carry out more in-depth cooperation in third-party service area in more jewelry industry.

During the jewelry industry, the Company has its unique advantage for having specific third-party service platform strategy, the good credit ability of state-owned enterprise and core property resources in the industry. The Company has qualification of being a core platform enterprise in jewelry industry chain, and it is the best choice for banks to cooperate in jewelry industry. Tellus will give full pay to its own advantage, on one hand, providing low-cost inclusive financial service and other value added services to medium, small and micro enterprises in jewelry industry through cooperate with the banks, reducing industry costs effectively, conscientiously fulfill the social responsibility of state-owned enterprise and service the entity economy; on other hand, unite the upstream & downstream within the jewelry industry, integrated industrial demand, improved traditional models, provided innovation services in full, solve the industry pain points, while realizing its own social responsibility and returning the shareholders of the Company, promote the industry progress and achieved the win-win situation in many ways.

Section IV Discussion and Analysis of the Operation

I. Introduction

In 2017, China's supply-side structural reform gradually showed its effects, and the GDP had an increase of 6.9% over the previous year, and the total volume, increment, and quality of economic operations have been improved. China's economy was undergoing the key period of industrial upgrading, structural optimization, quality improvement, and kinetic energy conversion, but many complicated problems needed to be solved to consolidate the good momentum, and there were arduous challenges. Facing the complicated economic situation, under the leadership of the party committee and the board of directors and the joint efforts of all Tellus people, and guided by innovation-driven development, the company actively promoted various work, constantly clarified the business model and specific implementation path of the jewelry platform services, some of the projects have already been implemented; completed the equity transfer of Tellus Property Company and the acquisition of shares of Xinglong Company; as a result, the operating profit has continued to rise and hit a new historical high.

During the reporting period, the Company has achieved operating income of 347.24 million Yuan, increased 23 million Yuan compared with 324.24 million Yuan in the same period of last year, an increase of 7.09%, which is mainly due to the increase of income from auto sales and jewelry wholesale & retail. Total profits amounting to 68.93 million Yuan, an increase of 38.44 million Yuan compared with 30.49 million Yuan in the same period of last year. Mainly because ① operation income from controlling enterprise increased 12.64 million Yuan from a year earlier; ② enterprise business performance increase over the previous year, investment income increased 20.12 million Yuan from a year earlier, (increased 10.21 million Yuan of investment income from shareholding enterprise Shenzhen Dongfeng Automobile Co., Ltd. and increased 8.23 million Yuan from Shenzhen Zungfu Tellus Auto Service Co., Ltd. and increased 1.68 million Yuan from Shenzhen Tellus Gman Investment Co., Ltd.; ③ 5.28 million Yuan recognized as investment income from disposal of property company in May. The net profit belonging to parent Company is 66.86 million Yuan, an increase of 39.67 million Yuan compared with 27.19 million Yuan in the same period of last year, the net profit attributable to shareholder of listed company after deducted non-recurring gains/losses amounted as 54.43 million Yuan, an increase of 30.2 million Yuan from last year.

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

	2017		2016		y-o-y changes
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	347,237,289.80	100%	324,240,841.90	100%	7.09%
According to industries					
Auto sales	146,150,511.84	42.09%	138,702,514.96	42.78%	5.37%
Auto inspection and maintenance and accessories sales	50,192,766.34	14.45%	51,777,605.75	15.97%	-3.06%
Property rental and service	108,174,167.58	31.15%	133,760,721.19	41.25%	-19.13%
Jewelry wholesale and retails	42,719,844.04	12.30%			
According to products					
Auto sales	146,150,511.84	42.09%	138,702,514.96	42.78%	5.37%
Auto inspection and maintenance and accessories sales	50,192,766.34	14.45%	51,777,605.75	15.97%	-3.06%
Property rental and service	108,174,167.58	31.15%	133,760,721.19	41.25%	-19.13%
Jewelry wholesale and retails	42,719,844.04	12.30%			
According to region					
Shenzhen	304,517,445.76	87.70%	324,240,841.90	100.00%	-6.08%
Anhui	4,884,558.80	1.40%			
Sichuan	37,835,285.24	10.90%			

(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	146,150,511.84	141,236,154.23	3.36%	5.37%	6.15%	-0.71%
Auto inspection and maintenance and accessories sales	50,192,766.34	38,200,637.20	23.89%	-3.06%	-5.54%	2.00%
Property rental and service	100,820,353.86	33,397,969.18	66.87%	-19.94%	-36.64%	8.73%
Jewelry wholesale and retails	42,719,844.04	38,718,354.34	9.37%			9.37%
According to products						
Auto sales	146,150,511.84	141,236,154.23	3.36%	5.37%	6.15%	-0.71%
Auto inspection and maintenance and accessories sales	50,192,766.34	38,200,637.20	23.89%	-3.06%	-5.54%	2.00%
Property rental and service	100,820,353.86	33,397,969.18	66.87%	-19.94%	-36.64%	8.73%
Jewelry wholesale and retails	42,719,844.04	38,718,354.34	9.37%			9.37%
According to region						
Shenzhen	297,163,632.04	208,077,898.04	29.98%	-6.08%	-8.02%	1.47%
Anhui	4,884,558.80	8,047,976.80	-64.76%			-64.76%
Sichuan	37,835,285.24	35,427,240.11	6.36%			6.36%

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	2017	2016	v
Auto sales (vehicle)	Sales volume	Set	834	815	2.33%
	Storage	Set	58	54	7.41%

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

In RMB

Industries	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Auto sales	Auto	141,236,154.23	55.55%	133,056,820.98	58.09%	6.15%
Auto inspection and maintenance and accessories sales	Accessory, maintenance and detection	38,200,637.20	15.02%	40,440,530.10	17.66%	-5.54%
Property rental and service	Lease, property management and other	36,099,814.88	14.20%	55,545,498.55	24.25%	-35.01%
Jewelry operation	Retail and wholesale of jewelry	38,718,354.34	15.23%			
Total		254,254,960.65	100.00%	229,042,849.63	100.00%	11.01%

Note

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

Yes No

Totally 16 enterprises included in consolidate statement for year of 2017, comparing with last year, there is one subsidiary included: Sichuan Tellus JewelryTechnology and one company disposed: Shenzhen SDG Tellus Property Management Co., Ltd.

(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)	21,186,896.12
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Proportion in total annual sales volume for top five clients	6.10%
Ratio of the sales from related parties in total annual sales among the top five clients	1.45%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Shenzhen Zung Fu Tellus Automobile Service Co., Ltd.	5,047,619.20	1.45%
2	Shenzhen Jiafengcheng Industrial Development Co., Ltd.	5,148,529.06	1.48%
3	Shenzhen Yiquan Investment Consulting Co., Ltd.	4,410,000.00	1.27%
4	Shenzhen Hongjiayi Investment Co., Ltd.	3,504,542.86	1.01%
5	Shenzhen Xingguangda Jewelry Industrial Co., Ltd.	3,076,205.00	0.89%
Total	--	21,186,896.12	6.10%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	188,145,055.36
Proportion in total annual purchase amount for top five suppliers	74.00%
Ratio of the purchase from related parties in total annual purchase among the top five suppliers	0.00%

Information of top five suppliers of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	FAW TOYOTA Motor Sales Co., Ltd.	153,457,533.60	60.36%
2	ShenzhenKaiheng Jewelry Industrial Co., Ltd.	16,495,726.50	6.49%
3	Shenzhen Jinyudeshang Gold Co., Ltd.	12,393,162.39	4.87%
4	TOYOTA Motor (China) Investment Co., Ltd.	3,644,145.30	1.43%
5	Shenzhen Perfect Diamond Co., Ltd.	2,154,487.57	0.85%
Total	--	188,145,055.36	74.00%

Other notes of main suppliers of the Company

Applicable Not applicable

3. Expenses

In RMB

	2017	2016	Increase/decrease y-o-y	Note of major changes
Sales expense	16,490,379.71	16,656,674.49	-1.00%	
Management expense	36,735,283.59	42,446,751.49	-13.46%	
Financial expense	1,520,168.86	-505,960.97		Mainly due to the increase of loans interest

4. R&D investment

□ Applicable √ Not applicable

5. Cash flow

In RMB

Item	2017	2016	Y-o-y changes
Subtotal of cash in-flow from operation activity	360,454,671.41	382,254,957.22	-5.70%
Subtotal of cash out-flow from operation activity	362,547,739.46	324,380,022.90	11.77%
Net cash flow from operation activity	-2,093,068.05	57,874,934.32	
Subtotal of cash in-flow from investment activity	686,489,369.68	413,663,270.79	65.95%
Subtotal of cash out-flow from investment activity	835,440,610.55	374,327,206.62	123.18%
Net cash flow from investment activity	-148,951,240.87	39,336,064.17	
Subtotal of cash in-flow from financing activity	239,272,000.00	64,330,000.00	271.94%
Subtotal of cash out-flow from financing activity	124,931,753.63	82,228,479.17	51.93%
Net cash flow from financing activity	114,340,246.37	-17,898,479.17	
Net increased amount of cash and cash equivalent	-36,704,421.54	79,312,929.17	

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

√Applicable □ Not applicable

Item	2017	2016	Y-o-y changes	Note
Net cash flow from operation activity	-2,093,068.05	57,874,934.32		Jewelry sales on credit from Sichuan Tellus Company has long period of collection and the goods deposit paid to Zhoudafu by Anhui Starlight Company
Subtotal of cash in-flow from investment activity	686,489,369.68	413,663,270.79	65.95%	More redemption of financial products in the period and received the margin from Xinglong Company for equity transfer
Subtotal of cash out-flow from investment activity	835,440,610.55	374,327,206.62	123.18%	Increase of the financial products investment
Net cash flow from investment activity	-148,951,240.87	39,336,064.17		The undue financial products increased over that of last period
Subtotal of cash in-flow from financing activity	239,272,000.00	64,330,000.00	271.94%	More bank loans in the period and investment from minority shareholders increased from Tellus Starlight Company and Sichuan Jewelry Company
Subtotal of cash out-flow from financing activity	124,931,753.63	82,228,479.17	51.93%	Loan payment increased, mainly due to the loan principal and interest paid to SDG and the bank in the period
Net cash flow from financing activity	114,340,246.37	-17,898,479.17		Bank loans increased from a year earlier

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 2017		End of 2016		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	161,793,218.56	11.53%	218,497,640.10	18.38%	-6.85%	
Account receivable	44,215,236.68	3.15%	113,736.64	0.01%	3.14%	
Inventory	12,646,227.22	0.90%	11,038,915.69	0.93%	-0.03%	
Investment property	73,223,512.21	5.22%	77,602,248.53	6.53%	-1.31%	
Long-term equity investment	284,464,749.15	20.27%	203,633,308.06	17.13%	3.14%	
Fix assets	120,296,822.84	8.57%	129,226,236.16	10.87%	-2.30%	
Construction in process	378,160,896.69	26.95%	343,365,313.46	28.88%	-1.93%	
Short-term loans	120,000,000.00	8.55%	50,000,000.00	4.21%	4.34%	
Long-term loans	38,600,000.00	2.75%	12,000,000.00	1.01%	1.74%	

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 2017” disclosed on the same day in Juchao Website: 50. 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
97,600,000.00	4,980,000.00	1,807.63%

2. The major equity investment obtained in the reporting period

√Applicable □Not applicable

In RMB

Name of investee	Principal businesses	Method of investment	Amount of investment	Shareholding	Capital sources	Partners	Term of investment	Type of products	Status as of the balance sheet date	Expected return	Current investment profit and loss	Whether litigation	Date of disclosure (if applicable)	Index of disclosure (if applicable)
Shenzhen Xinglong Mechanical Mold Co., Ltd.	Private property lease	Acquisition	67,600,000.00	13.00%	Owned fund	Shenzhen Runhe Union Investment Development Co., Ltd.	To 1 Jan. 2030	Property leasing	13% equity acquisition completed	0.00	0.00	N	2017-09-02	Found more in Notice (No.: 2017-073) released on Securities Times, Hong Kong Commercial Daily and Juchao Website
Sichuan	Sales of	New	30,000,	66.67%	Fund-ra	Chengd	2047-0	Sales of	Registr	0.00	558,48	N	2017-0	Found

Tellus Jewelry Technology Co., Ltd.	jewelry	establis hed	000.00		ising	u Ruihan g Jewelry Co., Ltd, Chengd u Caizhiy uan Jewelry Co., Ltd., Chengd u Kaixing Industri al Co., Ltd.and Sichuan Baoxie Comme rcial Manage ment Co., Ltd.	7-02	jewelry	ation complet ed		5.24		7-08	more in Notice (No.: 2017-0 53) release d on Securiti es Times, Hong Kong Comme rcial Daily and Juchao Website
Total	--	--	97,600, 000.00	--	--	--	--	--	--	0.00	558,48 5.24	--	--	--

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	Non - Public Offering	63,352	3,696.78	48,185.25	17,097.4	17,097.4	26.99%	17,239.1	The Company used temporarily idle funds to purchase guaranteed financial products 124.5 million Yuan, raise funds account balances amounting to 47,891,048.56 Yuan	0
Total	--	63,352	3,696.78	48,185.25	17,097.4	17,097.4	26.99%	17,239.1	--	0
Explanation on General usage of raised capital										
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 th extraordinary meeting of the seventh board of directors and the 4 th 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. During the reporting period, the Company has totally put into raised funds of 36,967,800 Yuan, and accumulated to put into raised funds of 481,852,500Yuan

(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 Jewelry Building	Y	26,000	33,097.4	660.78	25,999.25	78.55%		0	Not applicable	N
2.1 Newly increased renovation costs of Tellus Shuibei project	Y	6,809	2,799.79	36	36	1.29%		0	Not applicable	N
2.2 Bank loans payment	N	19,150	19,150	0	19,150	100.00%		0	Not applicable	N
2.3 Sichuan Regional Jewelry Channel Platform Company	Y	0	10,000	3,000	3,000	30.00%		55.85	Not applicable	N
2.4 Retail market of jewelry business	Y	19,500	0	0	0	0.00%		0	Not applicable	Y
2.5 Jewelry e-business	Y	4,500	0	0	0	0.00%		0	Not applicable	Y
2.6 Jewelry training business	Y	3,800	0	0	0	0.00%		0	Not applicable	Y

2.7 Automobile leasing business supporting the jewelry market	Y	2,630	0	0	0	0.00%		0	Not applicable	Y
Subtotal of commitment projects	--	82,389	65,047.19	3,696.78	48,185.25	--	--	55.85	--	--
Investment orientation for over raised fund										
N/A										
Total	--	82,389	65,047.19	3,696.78	48,185.25	--	--	55.85	--	--
Situation about not coming up to scheduled progress or expected revenue and the reason(In specific project)	<p>1. Tellus Shuibei Jewelry Building has currently completed the main construction, and completed other acceptance except for planning acceptance. The project is in the pre-work of merchandise absorption, and it is unable to determine the time for used.</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) The newly increased renovation costs of Tellus Shuibei project will be put into use according to the project implementation progress.</p> <p>(3) On 7 April 2017 and 4 May 2017, the Company holding the official 7th meeting of 8th BOD and AGM of 2016 respectively, deliberated and approved the "Proposal of Cancelling 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 cancelled. (4) On 8 May 2017 and 25 May 2017, the Company holding the 8th extraordinary meeting of 8th 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 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 13th extraordinary meeting of 8th 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</p>									

	<p>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>
<p>Amount, usage and progress of using for fund raising out of the plan</p>	<p>Not applicable</p>
<p>Change of implementation place of investment project of raised capitals</p>	<p>Not applicable</p>
<p>Adjustment of implementation way for investment project of raised capitals</p>	<p>Applicable</p> <p>Occurred in the period</p> <p>1. On 7 April 2017 and 4 May 2017, the Company holding the official 7th meeting of 8th BOD and AGM of 2016 respectively, deliberated and approved the “Proposal of Cancelling 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 cancelled. 2. On 8 May 2017 and 25 May 2017, the Company holding the 8th extraordinary meeting of 8th 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 13thextraordinary meeting of 8th 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 Yan from part of</p>

	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.
Particular about the advanced input and replacement	Applicable
	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 fundraising project with the raise funds, and agreed the Company to replace the self-raised funds of 114,162,000 Yuan invested in fundraising 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 Shuibei Jewelry Building project. The Company's independent director and sponsor institution have expresses their agreement on this matter.
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	Not applicable
Use of funds and allocation for reserved raised capital	On 7 April 2017 and 4 May 2017, the Company holding 7 th session of 8 th BOD and the AGM 2016 respectively, deliberated and approved the proposal of Purchasing Financial Products with Part of the Raised-Funds and Self-owned Capital, that is, in the premise of guarantee no impact on construction process of the raised-fund projects, in one year since the AGM resolution agreed, use the accumulate idle raised-fund up to 500 million Yuan for purchasing short-term guaranteed financial products; cumulative amount of the idle raised-fund up to 200 million Yuan use for purchasing low-risk and highly liquid financial products. Among the above said limit, the funds can be scroll to used; during the implementation, the investment balance will not over 250 million Yuan at any point of time. Till end of 31 st December 2017, the balance of cash management used from idle raised-fund amounting to 124.5 million Yuan.
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	660.78	25,999.25	78.55%		0	N	N
Newly increased renovation costs of Tellus Shuibei project	Newly increased renovation costs of Tellus Shuibei project	2,799.79	36	36	1.29%		0	N	N
Sichuan Regional Jewelry Channel Platform Company	Jewelry retailing market, jewelry e-business, jewelry training business and automobile leasing business supporting the jewelry market	10,000	3,000	3,000	30.00%		55.85	Y	N
Total	--	45,897.19	3,696.78	29,035.25	--	--	55.85	--	--
Explanation on reasons of the changes, decision-making procedures and information disclosure (explain by		1. On 7 April 2017 and 4 May 2017, the Company holding the official 7 th meeting of 8 th BOD and AGM of 2016 respectively, deliberated and approved the "Proposal of Cancelling Part of the Fund-Raised Investment Projects", that is, the jewelry e-business, jewelry							

specific project)	training, jewelry market matching with the automobile leasing business supporting the jewelry market are determined to cancelled. 2. On 8 May 2017 and 25 May 2017, the Company holding the 8 th extraordinary meeting of 8 th 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 th extraordinary meeting of 8 th 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 Yan 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.
Particular and reasons of fail to reached the target advance or anticipated income (explain by specific project)	1. Tellus Shuibei Jewelry Building has currently completed the main construction, and completed other acceptance except for planning acceptance. The project is in the pre-work of merchandise absorption, and it is unable to determine the time for used. 2. Newly increased renovation costs of Tellus Shuibei project will put into use according to the progress
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

Counter part	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 principle	Whether it was a related transaction (Y/N)	Relationship with the counter part 与	Ownership transferred completely or not (Y/N)	Implemented on schedule (Y/N), explained the reasons and counter measure for not completed on schedule	Disclosure day	Disclosure index
Shenzhen SDG Property Management Co., Ltd.	100% equity of Shenzhen SDG Tellus Property Management Co., Ltd.	2017-05-25	1,415	25	Transfer income of 5.28 million Yuan	8.03%	In accordance with the Assets Appraisal Report (Guozhonglian Ping Bao Zi 920170 No. 3-0058 issued by Guozhonglian Land Real Estate Assets Appraisal Co., Ltd.- the	Y	SDG Property Company has the same controlling shareholder of the Company, we has related relationship	Y	On schedule	2017-05-26	Notice(No.: 2017-039) released on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn).

							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	297,482,781.26	257,455,261.67	19,529,339.24	11,793,481.73	10,052,309.07
Shenzhen SD Huari Automobile Enterprise Co.Limited	Subsidiary	Auto maintenance and production and sales of accessories	US\$ 5 million	76,167,949.90	28,883,354.78	36,550,379.42	-525,444.47	137,080.56
Shenzhen Zhongtian Industrial	Subsidiary	Property rental	RMB 338.224 million	441,958,976.41	281,009,360.30	5,070,427.53	-2,390,588.01	-2,390,474.31

Co., Ltd								
Shenzhen Huari Toyota Automobile Sales Co. Ltd	Subsidiary	Sales of automobile	RMB 2 million	50,066,796.27	-1,405,479.62	194,934,139.85	2,926,927.83	2,929,767.26
Shenzhen Xinyongtong Auto Vehicle Inspection Equipment Co., Ltd.	Subsidiary	Manufacture of inspection equipment for motor vehicle	RMB 19.61 million	11,112,154.11	4,065,550.52	4,833,791.88	1,299,875.76	919,062.12
Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd	Subsidiary	Inspection and repair of motor vehicle	RMB 32.90 million	86,792,919.41	51,647,320.96	12,788,630.52	4,666,233.56	4,015,969.18
Anhui Tellus Starlight Jewelry Investment Co.,Ltd.	Subsidiary	Jewelry sales, jewelry investment	RMB 9.8 million	14,193,711.04	10,344,732.19	4,884,558.80	-4,376,133.00	-4,376,744.05
Shenzhen Zung Fu Tellus Automobile Service Co., Ltd.	Joint stock Company	Car sales and maintenance	RMB 30 million	413,827,603.00	240,327,190.00	1,246,685,891.00	64,404,075.00	49,997,245.00
Shenzhen Dongfeng Automobile Co., Ltd.	Joint stock Company	Manufacture and maintenance of automobile	RMB 100 million	926,904,747.52	157,768,303.05	708,394,340.47	5,805,379.72	16,335,024.83
Shenzhen Tellus Gman Investment Co., Ltd.	Joint stock Company	Investment in industry, property management and leasing	RMB 123,704,960	434,882,962.12	112,488,553.64	53,060,351.06	-2,073,272.99	-1,873,272.99

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
Sichuan Tellus Jewelry Technology Co., Ltd.	Newly established subsidiary	Increased profit of 1.27 million Yuan in total in the year
Shenzhen SDG Tellus Property Management Co., Ltd.	Sold by equity transfer	Achieved investment income of 5.28 million Yuan

Notes of holding and shareholding companies

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Future Development Prospects

(I) The development strategy and implementation situation of the Company

After Tellus made a strategic planning of its transition to jewelry industry since 2014, the jewelry market just went through dramatic changes in the pattern after a decade of robust growth and it entered into a new development stage of optimizing and integrating industry. Based on the practical investigation on jewelry industry for more than two years, Tellus has a much clearer picture of transition routine, strategic layout and core working content, that is, on the basis of physical platforms at Shuibei and Buxin, with distribution channels and terminal platforms from Sichuan and Hefei companies and through providing whole industry supply chain financial services, a large financial service platform would be built to link the platforms of jewelry regional distributions, retails and e-commerce, to make financial services permeating into the whole industry chain, to make the business drain to every platform, to expand its business scale in a rapid way, to accumulate real data of the industry and to enhance the resource sharing among each platforms, so as to form a real jewelry ecosystem and transit to a third-party comprehensive operating service provider. During the reporting period, the Company has taken active steps to promote the implementation of its transition strategy and part of projects has already put into operation, which has laid a solid foundation for the successful transition of Tellus. In the future, the Company will actively promote the implementation of its transition strategy with various innovation models.

1. Physical platform

(1) Industry Park project: physical platform is the core base of the overall strategy of the Company. By the end of reporting period, except that the first phase project of Tellus Shuibei Jewelry Building was still undertaking planning acceptance, all the other acceptances had been completed and ready for decoration and pre-lease; Shuibei Jinzuo Building, constructed by a joint venture Shenzhen Tellus Gmen Investment Co.,Ltd. as the main implementation body, has fully went into operation and turned profitable; The project of Xinglong Gold Jewelry Building, previously named as Shenzhen Shuibei Xinglong Research and Development Center Building, which was constructed by its joint-stock corporation Shenzhen Xionglong Machinery Mold Co.,Ltd. as the main implementation body, has completed the process of planning construction and quality acceptance in December 2017, and it is under decoration and ready for decoration and pre-lease; the Company is making preparation for preliminary works of the second phase of Tellus Shuibei Jewelry Building project, striving to get it started as soon

as possible in 2018.

(2)The industry of Shenzhen Jewelry is mainly concentrated in the areas of Shuibei and Buxin in Luohu district of Shenzhen. Since the second half of 2016, the Luohu district government has formulated a strategic planning on the supply-side structural reform of Jewelry industry in Luohu and Buxin, making Buxin area as the Luohu Jewelry Intelligent Manufacturing Base. The Company is the largest estate owner in the No. 04 and No. 05 sub-unit of Buxin Industry Area Urban Renewal Units Planning project for the reason that it has a multitude of real estates in Buxin industry area and the transition strategy of the Company is fully complying with the reform strategy made by Luohu district government. During the reporting period, the Company has engaged an intermediary organization to formulate a comprehensive scheme, and in order to maximize its revenue, the Company will make a clear plan for the development, major implementation body, compensation for demolition as well as renovation in 2018 in line with the existing planning of Luohu district.

2.Regional distribution platform

In July 2017, with raised funds, the Company, in cooperation with a competitive distributor in Sichuan area, jointly invested to set up Sichuan Tellus Jewelry Technology Co.,Ltd. Which declared the officially implementation of the first regional distribution platform. During the reporting period, under smooth development, the project in Sichuan has officially put into operation in September and successfully turned profitable through effective and reasonable risk control. After this business model has been tested by practice, the Company will copy it and extend this regional distribution platform to a series of major regions in the future so as to form a national distribution platform in the end, and will provide various value-added supporting services such as grafting finance and have initial market influences on the upstream and downstream of jewelry industry by means of national distribution platform.

3.Retail terminal platform

The Company has invested to establish Anhui Tellus Xingguang Jinzun Jewelry Co.,Ltd. in 2016, which was the first project of Tellus during the implementation of transition, also the first try beyond cities of Tellus jewelry platform. The core staffs from Tellus were participated in all the works related to decoration, pre-lease, financial approving and daily operation; established relative working systems for finance, procurement and human resources; and the EOS system was supported to remotely query the retail sales data at terminal. The first phase of the first floor at the mall has started a trial operation in May Day of 2017 and all the stores at the first floor officially put into operation during the National Day of 2017. Taking the project in Anhui province as the window of entering into the jewelry market, jointly cooperated with superior jewelry distributors, the Company has had a good master of jewelry terminal operation model and obtained consumption data with excellent resources in distribution and industry so as to enhance the profitability and sustainable development capacity of the Company, which was of positive significance for the future development of the Company. When the business model of retail platform has been fully developed and after its project operation capability has been verified, Tellus will copy and expand its jewelry retail market business to several areas in the country in various ways. At that time, the retail terminal platform will be able to provide terminal supports and industry environment tentacles for physical platform, and provide whole industry chain services as well as more terminal supports for the Company.

4.E-commerce platform

In order to give full play to its advantages in fixed asset, to accelerate the steps to transit into jewelry industry, to realize the strategic planning and to avoid such unfavorable effects as long payback period and loss at embryonic phase caused by direct investment by the Company and by cultivating jewelry industry from scratch, Tellus was planning to make equity investment on potential target enterprises by means of setting up jewelry industry innovation investment funds, making the most of advantages of capital of the funds, professional resources from professional investment organization and other social resources, to make a strategic goal that is to build Tellus into a jewelry industry comprehensive service operator, with professional investment mechanism and ways, to reserve superior mergers and acquisitions projects for the industry development of the Company, to cultivate new profit growth point, to innovate business model, expand business scale and achieve a sustainable, health and smooth development of the Company. The funds will be focused on jewelry industry e-commerce, big data, supply chain finance, brand service, jewelry designer platform, jewelry industry intelligent manufacturing and other related fields, and dedicated to cultivate leaders in segment industry with cross-stage investment and resources integration. By making the most of the low point of jewelry market cycle and grasping the opportunity of the wave of internet application, the Company has explored the leading enterprises with new business format in jewelry industry chain and sought for opportunities of mergers and acquisitions at price depression, with priority to the project of establishing innovative internet platform enterprises within jewelry industry.

During the reporting period, the Company has finished the preliminary decision-making and preparatory works of the funds, including the selection of fund partner, determination of the details of fund scheme, making market investigation on part of jewelry internet platform enterprise. At present, the fund staffs are actively carrying out the fidelity investigations as well as screening investment projects, striving to make investments on the selected suitable internet platform enterprise in 2018, to integrate resources and business in line with the overall strategic planning of Tellus, to build Tellus jewelry e-commerce platform.

5.Design and entrepreneurship platform

Tellus was successfully elected as the chairman company of Shenzhen Jewelry Designer Association in September 2017 and launched a project that the designer counters entering into the platform of Sichuan and Anhui in 2017, offering a fundamental guarantee and strong support to the innovation and entrepreneurship platform for the designers in the future. During the reporting period, the Company has handed in the Construction Scheme of Tellus Group Innovation and Entrepreneurship Base to Shenzhen Development and Reform Commission, which has already been approved by Shenzhen Development and Reform Commission and won the awarding of Shenzhen Innovation and Entrepreneurship Base. Tellus has initially identified the service model of Innovation and Entrepreneurship Base. In 2018, Tellus will be planning to make the most of its resources advantage, to cooperate with part of quality enterprises in jewelry industry, to prompt the implementation of innovation and entrepreneurship base with over 3,000 square meters of property planned at the first phase of Tellus Shuibei Jewelry Building, to jointly invest on building gold jewelry innovation incubator platform. With the innovation within industry as well as new innovation teams, at the theme of New Design, New Technique, New Material, New Technology and New Model, a world-leading jewelry industry innovation R&D platform will be built to provide services for all the industry, to renovate the jewelry industry by the way of Innovation and

Entrepreneurship, constantly inject new energy to the upgrading of jewelry industry transition, and to enhance the comprehensive competitiveness of jewelry industry.

6. Jewelry big financial service platform

In the new strategic concept of the Company, all the platforms of jewelry regional distribution, retail terminal, e-commerce as well as innovation and entrepreneurship would attract customers with the supply chain financial service provided by Tellus big financial service platform, drain the business to each platform, expand the business scale in a rapid way, accumulate real data of the industry, enhance the resource sharing between platforms, so as to form a real jewelry industry ecosystem. In 2018, Tellus will take active steps to promote the landing of all the platform projects especially the larger financial service platform, explore and develop business of financing guarantee and small loans by means of investment and mergers and acquisitions, providing standard and fast financial services to the nationwide customers. In the future, based on the development situation of the business, Tellus will continue to explore the feasibility of establishing factoring companies and pawn companies, improve the Tellus supply chain financial service, and build a standard and comprehensive big financial service platform. The big financial service platform, working as the bond, will be better integrated into the business of all the platforms and remain a crucial support for the future business of the Company.

7. Jewelry industry ecosystem

In conclusion, with implementation of the above planning, based on the physical platform located in Shuibei and Buxin Industry Park as well as regional distribution and retail terminal platforms, the Company has built a comprehensive jewelry financial service for the whole industry chain, whole industry chain trading service as well as design and entrepreneurship service, linking to the industry, capital and business partners on one side while linking to designers, products and users on the other side. In addition, all the platforms, fields and services will support and inter-connect one another, jointly creating a third-party service platform for jewelry industry and building a jewelry industry ecosystem.

(II) Operating plan

1. Business review

In last year, the Company made the development strategy and operation plan for 2017. during the reporting period, the Company reinforced corporate management and improved management ability and effectiveness through investing more efforts in management and increasing vertical service and management, which enabled Tellus Group to continuously enhance its recurring income and record the best performance in operating indicators in the history. With respect to implementation of business transformation, the Company established the Jewelry Regional Distribution Platform Project in Sichuan, realized opening and operation of Anhui Jewelry Retail Platform, completed establishment of decision-making procedure of jewelry industry innovation investment funds, promoted settlement of special designer counters in Sichuan and Anhui platforms according to the scheduled development strategy. Substantial progress has been made by the Company in these platform projects, which propels its strategic transformation.

2. Operating plan for 2018

(1)to witness solid progress in transformed business with jewelry supply chain service platform as the core business and physical platform construction as the foundation

In 2018, the Company will facilitate the strategic transformation with strong determination, aiming to drive forward the materialization and development of the overall strategy with diversified platform business, including: carry out the jewelry industry supply chain financial service business via various forms to build the mass financial service platform of Tellus Group; improve operation scale of Suchuan distribution platform project, establish reasonable and effective risk control system, further determine and verify operation model to improve operation efficiency; make good operation of Hefei retail platform to accomplish operating targets with the best efforts; complete planning acceptance and title registration in relating to the phase I of Shuibei Jewelry Building, complete the business invitation and operation of the tower building and podium building; promote preliminary works of the phase II of Shuibei Jewelry Building; identify the property renovation plan in Buxin region to maximize interest protection for the Company; proactively facilitate materialization of the golden jewelry innovation incubator platform project and double-innovation platform.

(2)to maximize efficiency of the existing business while adjusting business structure and securing growth

With respect to management of resource assets, the Company has carried put a series of effective preliminary business invitation works in 2017, by which, clients have been enabled to be secured by the Company through execution of letter of intention for the phase I of Tellus Shuibei Jewelry Building. In particular, the core areas available for rent have been totally booked by potential clients through execution of letter of intention. In 2018, the Company will capitalize on the operation of phase I of Shuibei Jewelry Building to increase income and profit arising from resource assets via various innovative operation and service model, targeting to maximize value of resource assets. Meanwhile, the Company will manage to improve operating management, enhance value of the existing properties, optimize working manners to create value and maintain stable operation of the existing resource business. Our subsidiaries, in addition to conducting resource assets operation, will establish reasonable planning pursuant to the government planning to make substantial breakthrough in old property renovation project. Besides, intensive efforts will be made to propel upgrade and transform of existing property to improve property quality, and to make property renovation based on business planning to realize value of the Company to the largest extent.

(3)to have deep understanding on and implement the conference spirits delivered by the 19th National Congress of the CPC, to propel party building and poverty assistance properly

The Company will further implement the spirits delivered by the 19th National Congress of the CPC by combination of the party building works and its operation and management. To materialize poverty assistance on a precise basis to complete its planning in this regard.

(4)to explore and innovate talent mechanism

In order to satisfy its needs for business transform and project materialization, the Company will explore system reform of the respective enterprise and market-based selection and engagement of its leader team, improve

safeguard measures for talents and assessment incentives system and cultivation of management reserve, and cultivate and reserve the professionals required for business transform.

(III) Possible risks and countermeasures

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

1. Risks caused by fluctuations in the macroeconomic situation

In 2017, China's supply-side structural reform gradually showed its effects, and the GDP was on a steady rise. However, at the same time, China's reforms have entered the critical stage and the deep end, there are many intricate and complex issues need to be resolved, and daunting challenges still exist. In 2018, there are still uncertainties in the continued recovery of the global economy. China's economy is still facing the risks of slowdown in growth and increasing industrial restructuring pressures, which brings uncertainties to the overall economic environment and the company's operating performance.

In response to this risk, the company will actively adopt various types of preventive measures. The first is to comprehensively improve the profitability of original businesses. The profits from the company's main businesses have hit new highs in recent years, and the company will continue to strengthen the management, enhance the profitability by strengthening customer development, optimizing management structure, and improving service quality, meanwhile, increase the investment in strategic transformation of new businesses, explore incremental markets, expand business scale, find new profit growth points, and ensure the stable development of the company's operating performance.

2. Risks brought by transforming to new fields

After years of research and planning, the company has had a more clear understanding about the characteristics of jewelry industry, the core links of industrial chain and the pain points of enterprises, and has begun to spare no effort to implement the transformational business, in this process, the company is facing various kinds of challenges in the transformation of new business fields. Some of the company's transformation projects have been implemented, although the development prospects of such projects are good, the projects need to maintain a sustained and stable operation for a long period of time after being put into operation so as to achieve scale and brand effect. In addition, whether or not the effective synergy can be formed among each business platform project and whether the synergy can mutually promote the business development still require the inspection of actual operations. Therefore, there may be a risk of long investment payback period in the Company's transformational business.

In response to this risk, firstly, the company will firm the transformation beliefs, strictly control the investment projects, and make scientific and prudent decisions to protect the investment returns. Secondly, the company will deepen its operation and management, strengthen the management and supervision to its subsidiaries, seek benefits from management, discover and solve problems encountered in new business development, and improve its own operating and management level; and continue to promote the information management, steadily push forward the reform and innovation, establish a market-oriented assessment and incentive mechanism, mobilize the enthusiasm of all employees, improve the management level and operating efficiency of enterprises, and ensure

that the implemented projects are efficient and controllable.

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. During the reporting period, the company has not implemented profit distribution.

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 2015 and 2016 was -91,388,900 Yuan and -55,254,500 Yuan respectively, which is no profit distribution and cash bonus carried out for fails to meet the condition of dividends;

The retained profit in consolidate statement ended as 31st December 2017 was 97,798,595.80 Yuan, retained profit of the parent Company amounting to -1,372,862.05 Yuan.

In reporting period, Shenzhen Automobile Industry and Trading Co., Ltd., - the only subsidiary with over 10% impact on consolidate

retained profit of the Company. The subsidiary did not have bonus carried out for its working capital strained and there is not enough cash to pay dividends.

In accordance with the 7.6.7 clause of the “Guidelines for the Operation of the Listed Companies on Main Board of Shenzhen Stock Exchange” (2015 Revised): when a listed company formulating a profit distribution plan, it should be based on the distributable profit carried out in statement of the parent company. Meanwhile, to avoid super distribution, the principle of which is lower in distributable profit between the consolidate statement and parent company’s statement should be recognized as the specific distribution ratio.

The Company did not carry out 2017 profit distribution for the negative retained profit in parent company’s statement, and no capitalizing of public reserves carry out either.

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 in net profit attributable to common stock shareholders of listed Company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2017	0.00	66,862,772.68	0.00%	0.00	0.00%
2016	0.00	27,193,562.63	0.00%	0.00	0.00%
2015	0.00	42,768,789.52	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

II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year

III. Implementation of commitment

1. Commitments that the Company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

√Applicable □ Not applicable

Commitments	Promise	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.	2014-10-17	Long-term	Implementing
Equity incentive commitment						
Other commitments for medium and small shareholders	SDG	Horizontal Competition	In order to avoid the horizontal competition, the Company's controlling shareholder, Shenzhen SDG Co., Ltd., has issued the "commitment letter about the 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	2014-05-26	Long-term	Implementing

			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	2017-05-04	2019-12-31	Implementing

		<p>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 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 equipments 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</p>			
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		<p>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 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</p>			
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		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

On 28 April 2017, the “Notice of Print and Distribute Accounting Standards for Business Enterprise No.42-Holding of the non-current assets and disposal group ready for sale and Discontinued Operation (Cai Kuai [2017] No.13)” was issued by Ministry of Finance, which was came into effect since 28 May 2017. On 10 May 2017, the Ministry of Finance released the circular (CK[2017]No.15) relating to Accounting Standards for Business Enterprise No.16-Government grant (amended in 2017), which came into effect form 12 June 2017. The Company implemented the above mentioned Accounting Standards since the date for effective.

The government grant obtained before execution of the Accounting Standards for Business Enterprise No.16-Government grant (amended in 2017) are reckoned into non-operation revenue; as for the government grant with assets concerned will recognized as deferred income and reckoned into current gains/losses through averagely amortized over the period of assets using. After implemented the Accounting Standards for Business Enterprise No.16-Government grant (amended in 2017), the government grant with routine activity concerned occurred since 1 January 2017, will reckon into other income; while those without routine activity concerned will record into non-operation expenditure.

After deliberation by 11th session of 8th BOD, the Company exercises the accounting policy since the date of the above mentioned standards implemented:

Serial	Content for changed	Items and amount being impacted
1	“Continuous operation net profit” and “discontinued operation net profit” listed in profit statement. Corresponding date during the comparable accounting period shall be adjusted	Continuous operation net profit: consolidate (65,781,568.71 Yuan), the Company (53,881,590.77 Yuan); same period of last year was: consolidate (27,617,932.54 Yuan), the Company (36,134,460.59 Yuan)
2	The government grant with routine activity concerned reckoned into “Other income” instead of non-operation revenue, corresponding date during the comparable accounting period shall not be adjusted	Other income: consolidate (25,753.22 Yuan), the Company (0 Yuan)
3	New item of “Income from assets disposal” listed in profit statement, part of the gains/losses from assets disposal originally listed as ‘non-operation revenue’ and “non-operation expenditure” will re-classify to item of “Income from assets disposal”. Corresponding date during the comparable accounting period shall be adjusted	Gains/losses from assets disposal: consolidate (374,583.14 Yuan), the Company (0 Yuan); same period of last year was: consolidate (68,314.27 Yuan), the Company (0 Yuan). Non-operation revenue: same period of last year shall be adjusted as: consolidate (68,314.27 Yuan), the Company (0 Yuan). Non-operation expenditure: no adjustment last year

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 16 enterprises included in consolidate statement for year of 2017, comparing with last year, there is 1 subsidiary included: Sichuan Tellus Jewelry Science Technology Co., Ltd.; one enterprise reduced: Shenzhen SDG Tellus Property Management Co., Ltd.

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	4
Name of domestic CPA	Zhou Xuechun, Cai Xiaodong
Continuous life of auditing service for domestic accounting firm	2

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 arbitrations of the Company

Applicable Not applicable

No significant lawsuits and arbitrations 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 approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Shenzhen Zung Fu Tellus Automobile Service Co., Ltd.	Director, supervisor and senior executives of the Company serves director of the enterprise	Routine related transaction	House leasing	Reference market pricing	530	530	5.84%	530	No	Agreed by contract or agreement	530	2017-04-08	Notice No.: 2017-017 on Securities Times, Hong Kong Commercial Daily and

													Juchao Website (www.cninfo.com.cn)
Shenzhen SDG Property Management Co., Ltd.	Subsidiary of the parent company	Routine related transaction	Accept property management services	Reference market pricing	74.47	74.47	74.47	No	Agreed by contract or agreement	74.47			
Total				--	--	604.47	--	604.47	--	--	--	--	--
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)
SDG	Controlling shareholders	Intercourse funds and loan interest	3,186	99	41		93	3,244
SDG	Controlling shareholders	Loan principal for the HQ and Hurari Company	1,879	7,000	7,011			1,868
Impact on operation results and financial status		Total profit decreased 0.93 million Yuan due to the interest expenses increased in the Year						

5. Other related transactions

√Applicable □Not applicable

(1) In order to concentrate resources and promote the strategic transformation of the company, the company signed a “property transfer contract” with Shenzhen SDG Property Management Co., Ltd. to transfer the 100% equity of Shenzhen SDG Property Management Co., Ltd. held by the Company to SDG Property by agreement transfer, and the transfer price was 14.15 million Yuan. SDG Property and the Company are under the control of the same controlling shareholder and there is an associated relationship. For details, please refer to the relevant announcements published by the Company on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn.), announcement No.: 2017-039.

(2) In order to give full play to the Company’s inherent resource advantages, accelerate the Company’s transformation to the jewelry industry and realize the strategic planning idea, the Company intends to cooperate with the Company’s joint ventures, Shenzhen Tellus Gman Investment Co., Ltd. and Shenzhen Baochuang Heying Partnership (a limited partnership) (a temporary name, planned to be jointly funded and established by some directors and management staff of the Company), and some strategic partners and jointly invested in setting up a jewelry industry innovation investment fund. For details, please refer to the relevant announcements published by the Company on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn.), announcement No.: 2017-089.

Relevant inquiry for the major related transactions

Notice name	Date for disclosure	Website disclosed
Equity Transfer of Shenzhen SDG Tellus Property Management Co., Ltd. and Related Transactions	2017-05-26	Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn).No.: 2017-039
Plans to participate in establishment of the jewelry innovation industrial investment fund and related transaction	2017-12-02	Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn). No.: 2017-089

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 (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shenzhen Zung Fu	2014-09-30	3,500		3,500	Pledged	To the expire	N	Y

Tellus Automobile Service Co., Ltd.						date of joint venture contract		
Total approving external guarantee in report period (A1)			0	Total actual occurred external guarantee in report period (A2)				3,500
Total approved external guarantee at the end of report period (A3)			3,500	Total actual balance of external guarantee at the end of report period (A4)				3,500
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shenzhen Zhongtian Industrial Co., Ltd.	2014-05-07	30,000	2014-06-24	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 and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Total amount of 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 end of reporting period (C3)			0	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)				0
Total amount of guarantee of the Company (total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)			0	Total amount of actual occurred guarantee in report period (A2+B2+C2)				33,500
Total amount of approved guarantee at the end of report period (A3+B3+C3)			33,500	Total balance of actual guarantee at the end of report period (A4+B4+C4)				33,500
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)								34.78%

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)	0
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)	0
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

(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	20,000	12,450	0
Bank financing product	Own funds	9,900	9,900	0
Total		29,900	22,350	0

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 Libai village. The project has begun on December 29, 2017, currently, more than half of the project has been completed, and it is expected that it will be fully completed and put into use in the first half of 2018. After the project is completed, it will greatly facilitate the production and transportation of Libai villagers, and the "difficulties in roads" that have plagued the villagers for many years will be thoroughly resolved.

(3) Results of targeted poverty alleviation

Nil

(4) Follow-up of targeted poverty alleviation

Plans to completed the road expansion and repair in Li Bai village in first half of 2018

3. Environmental protection

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

No

Nil

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 issue	Bonus share	Capitalization of public reserve	Other	Subtotal	Amount	Ratio
I. Restricted shares	77,000,000	25.90%						77,000,000	25.90%
2. State-owned corporation shares	6,000,000	2.02%						6,000,000	2.02%
3. Other domestic shares	71,000,000	23.88%						71,000,000	23.88%
II. Un-restricted shares	220,281,600	74.10%						220,281,600	74.10%
1. RMB ordinary shares	193,881,600	65.22%						193,881,600	65.22%
2. Domestically listed foreign shares	26,400,000	8.88%						26,400,000	8.88%
III. Total shares	297,281,600	100.00%						297,281,600	100.00%

Reasons for share changed

Applicable Not applicable

Approval of share changed

Applicable Not applicable

Ownership transfer of share changes

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

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. Existing 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	55,304	Total common stock shareholders at end of last month before annual report disclosed	53,609	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
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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
SDG	State-owned corporation	49.09%	145,925,256		6,000,000	139,925,256		
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited)	Domestic non state-owned corporate	23.88%	71,000,000		71,000,000			

partnership)								
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.40%	1,198,204					
Li Guangxin	Domestic nature person	0.26%	761,161					
Weng Zhengwen	Foreign nature person	0.19%	561,700					
He Xing	Domestic nature person	0.10%	300,100					
Sheng Zhiqin	Domestic nature person	0.10%	290,000					
Huang Chuyun	Domestic nature person	0.09%	266,500					
Zeng Huiming	Foreign nature person	0.08%	250,000					
Agricultural Bank of China Ltd. – CSI 500 ETF	Other	0.08%	236,100					
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 consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the other shareholders of circulation share, the Company is unknown whether they belong to the consistent actionist.							
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
SDG	139,925,256	RMB ordinary shares	139,925,256					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,198,204	Domestically listed foreign shares	1,198,204					
Li Guangxin	761,161	Domestically listed foreign	761,161					

		shares	
Weng Zhengwen	561,700	Domestically listed foreign shares	561,700
He Xing	300,100	Domestically listed foreign shares	300,100
Sheng Zhiqin	290,000	RMB ordinary shares	290,000
Huang Chuyun	266,500	Domestically listed foreign shares	266,500
Zeng Huiming	250,000	Domestically listed foreign shares	250,000
Agricultural Bank of China Ltd. – CSI 500 ETF	236,100	RMB ordinary shares	236,100
Celestial Securities Limited	196,226	Domestically listed foreign shares	196,226
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten shareholders, there exists no associated relationship between the state-owned legal person's shareholders SDG and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the other shareholders of circulation share, the Company is unknown whether they belong to the consistent actionist.		
Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held(if applicable) (see 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
SDG	Zhang Junlin	1982-06-20	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 39.18% equity of Shenzhen SDG Information Co., Ltd. (Stock name: SDGI, Stock code: 000070); holds 1.28% equity of Sichuan Jinlu Group Co., Ltd. (Stock name: Jinlu Group, Stock code: 000510)			

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

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

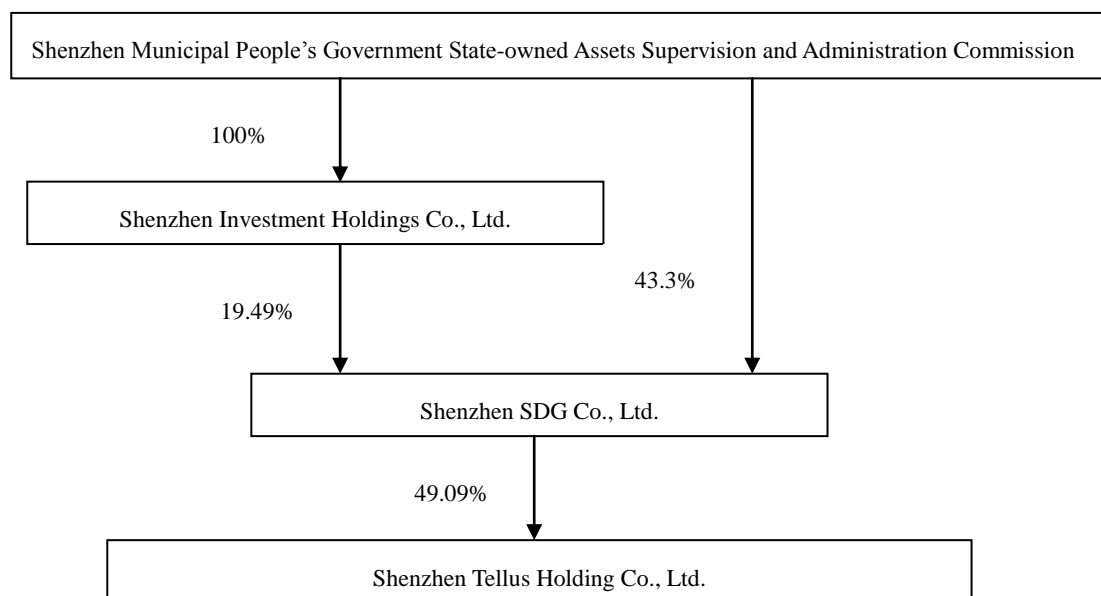
Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission	Peng Haibin	2003-07-20	K31728067	Not applicable
Equity of domestic/oversea 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	Dated founded	Register capital	Main business or management activity
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)	Cheng Houbo	2014-04-18	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)
Lv Hang	Chairman	Currently in office	M	57	2015-05-20	2018-05-19					
Yu Lei	Director	Currently in office	F	50	2015-05-20	2018-05-19					
Zhang Quanxun	Director	Currently in office	M	45	2015-05-20	2018-05-19					
Chen Gengsen	Director	Currently in office	M	46	2015-05-20	2018-05-19					
Ding Hui	Director, GM	Currently in office	M	45	2015-05-20	2018-05-19					
Yang Jianping	Director, CFO	Leave the office	F	46	2015-05-20	2018-01-04					
Wei Shaohui	Independent Director	Currently in office	M	46	2015-05-20	2018-05-19					
Ji Huibin	Independent Director	Currently in office	M	48	2015-05-20	2018-05-19					
Li Xiangjun	Independent Director	Currently in office	M	56	2015-05-20	2018-05-19					
Chen Hua	Chairman of Supervisory Committee	Currently in office	F	54	2015-05-20	2018-05-19					

	e										
Chen Yangsheng	Supervisor	Currently in office	M	55	2017-5-4	2018-5-19					
Li Miao	Supervisor	Leave the office	M	45	2015-05-20	2017-05-04					
Fu Chunlong	Supervisor	Currently in office	M	45	2015-05-20	2018-05-19					
Ke Wensheng	Supervisor	Leave the office	F	50	2015-05-20	2017-04-06					
Li Xiaohong	Supervisor	Leave the office	F	50	2015-05-20	2017-12-20					
Liu Yuhong	Supervisor	Leave the office	F	46	2017-04-06	2017-12-20					
Li Yudong	Supervisor	Currently in office	F	52	2017-12-20	2018-05-19					
Wang Pei	Supervisor	Currently in office	F	37	2017-12-20	2018-05-19					
Ren Yongjian	Deputy GM	Currently in office	M	55	2015-05-20	2018-05-19					
Feng Yu	Deputy GM	Currently in office	M	51	2015-05-20	2018-05-19					
Li Ming	Deputy GM	Currently in office	M	56	2015-05-20	2018-05-19					
Qi Peng	Secretary of the Board	Currently in office	M	45	2015-12-28	2018-05-19					
Total	--	--	--	--	--	--	0	0	0	0	0

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Li Miao	Supervisor	Leave the office	2017-05-04	Resigned post as supervisor due to work changes
Chen Yangsheng	Supervisor	Dismiss & appoint	2017-05-04	Elected as supervisor by the shareholders general meeting
Ke Wensheng	Employee supervisor	Leave the office	2017-04-06	Resigned post as supervisor due to work changes

Liu Yuhong	Employee supervisor	Dismiss & appoint	2017-04-06	Elected as staff supervisor
Liu Yuhong	Employee supervisor	Leave the office	2017-12-20	Resigned post as staff supervisor due to personal reasons
Li Xiaohong	Employee supervisor	Leave the office	2017-12-20	Resigned post as staff supervisor due to personal reasons
Li Yudong	Employee supervisor	Dismiss & appoint	2017-12-20	Elected as staff supervisor
Wang Pei	Employee supervisor	Dismiss & appoint	2017-12-20	Elected as staff supervisor

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
Lv Hang	Master degree, a senior political division. He successively served as chairman, GM and deputy secretary of the general branch in Shenzhen SDG Xiaomeisha Tourism Center; Director and GM of Shenzhen Tellus Holding Co., Ltd.; GM of Shenzhen SDG Property Management Co., Ltd.; now he serves as chairman of the Company.
Yu Lei	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 majority shareholder of the Company-SDG and director of the Company
Zhang Quanxun	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 of CMAF and director of the Company
Chen Gengsen	Bachelor degree, an intermediate economist and accountant. He successively served as account in financial department of the Guangdong Shanjian International Industrial (Group) Co., Ltd.; the manager, CFO and director of settle center in Guangdong Shanjian International Industrial (Group) Co., Ltd.; CFO of Longshan Environment; director and GM of the Shenzhen Qibang Investment Holding Co., Ltd. now he serves as chairman of Shenzhen Shengbang Trading Co., Ltd. and director of the Company
Ding Hui	Master degree, a senior political division. He successively served as GM and deputy chairman of Huali Company; chief of office of SDG and serves as director and GM of the Company currently.
Lou Hong	Bachelor degree, 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 director and CFO of Shenzhen SDG Xiaomeisha Investment Development Co., Ltd.; now she serves as director and CFO of the Company
Wei Shaohui	Master degree. He ever took post of law assistant and full-time attorney of Guangdong Shu Jun Law Firm. Now he serves as senior partner of Guangdong Shu Jun Law Firm, and independent director of the Company; meanwhile serves as independent director of Longhao Tiandi Co., Ltd. and Shenzhen Click Technology Co., Ltd. respectively.
Ji Huibin	Master degree, senior engineer. He ever took the post of project manager, director of engineering dept. deputy GM and GM of Shenzhen Jianyi Municipal Engineering Co., Ltd; director of engineering dept. and director of operation dept. of Shenzhen Jianyi Industrial Co., Ltd. and deputy GM of Pang Yuan Real Estate Development Co., Ltd. Now he works in Shenzhen International Logistic Development Co., Ltd. and serves as independent director of the Company
Li Xiangjun	Master's degree, economist, CPA, CTA. Served as the leader in Shenzhen Auditing Bureau, and serves as the senior partner of Zhongqin Wanxin Certified Public Accountants (special general partnership), and the independent directors of the Company.
Chen Hua	Bachelor's degree, economist. Served as deputy director in credit investment department of Guangdong International Trust and Investment Co., Ltd., Shenzhen Branch; deputy general manager of Guangdong International Trust and Investment (Hong Kong) Co., Ltd.; director in customer service center of Shenzhen Changjiang Xingye Development Co., Ltd.; director in human resources department of Shenzhen Shipping Corporation; office director of Shenzhen SDG Co., Ltd.; director and general manager of Shenzhen SDG Information Co., Ltd.; and serves as the chairman of the board of supervisors of the Company.
Chen Yangsheng	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 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.
Fu Chunlong	Master degree. He ever took the Business Deputy General Manager of HR Department of Shenzhen SDG Co., Ltd., Deputy Team Leader in Work Team of Shenzhen SDG Huatong Packaging Co., Ltd. and Deputy Minister of HR Department of Shenzhen SDG Co., Ltd. Now, he is Deputy GM of Shenzhen SDG Co., Ltd. and Supervisor of the Company.
Li Yudong	Bachelor degree. She used to worked as a teacher in Shaogang No.1 Middle School, and a translator in Jingxing Company; a translator and director of southern China region in Shenzhen Branch of Israel SAM Company; worked as staff in technical center and enterprise management dept. of the Company; the secretary and deputy director of administrative office; now she serves as director and staff supervisor of the administrative office of the Company
Wang Bei	Bachelor degree. She used to worked as the sales chief in the sales dept. of Shenzhen Huari Toyota Auto Sales Service Co., Ltd., the commissioner/director/sales director of CR department; now she service as deputy director of the secretary office of the Board and staff supervisor of the Company
Ren Yongjian	Bachelor degree, an accountant. He ever took the posts of Deputy Manager of Planning & Financial Dept. and Manager of Auditing Dept. in Shenzhen Special Economic Zone Development (Group) Company; Director and CFO of the Company. He now acts as Deputy General Manager of the Company.
Feng Yu	Bachelor degree. He ever took the Deputy General Manager of Shenzhen Xianke Real-estate Co., Ltd., Manager of Investment Department of China Sports Group Industry Co., Ltd.; 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.
Li Ming	Bachelor degree, engineer. Served as a teacher in Guangzhou Nonferrous Metals Industry School; director of

	engineering and deputy general manager of Shenzhen South Tongfa Real Estate Development Co., Ltd.; director of development department and property management department of Shenzhen South Tongfa Industry Co., Ltd.; deputy general manager, director and chief engineer in enterprise development department of Shenzhen Jintong Property Management Co., Ltd.; manager in Swan project department and deputy general manager of Shenzhen SDG Properties Co., Ltd., and serves as the deputy general manager of the Company.
Qi Peng	Master's degree, economist. Served as the 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

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Yu Lei	SDG	Deputy GM			Y
Chen Yangsheng	SDG	CFO			Y
Fu Chunlong	SDG	Deputy GM			Y
Zhang Quanxun	Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)				Y
Chen Gengsen	Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)				Y

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position in other unit	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Wei Shaohui	Guangdong Shu Jun Law Firm	Senior partner			Yes
Ji Huibin	Shenzhen International Logistic Development Co., Ltd.				Yes
Li Xiangjun	Zhong Qin Wanxin Certified Public Accountants (LLP)	Senior partner			Yes

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
Lv Hang	Chairman, Party secretary	M	57	Currently in office	86.78	No
Ding Hui	GM	M	45	Currently in office	83.1	No
Chen Hua	Chairman of Supervisory Committee	F	54	Currently in office	42.4	No
Ren Yongjian	Deputy GM	M	55	Currently in office	69.53	No
Yang Jianping	CFO	F	46	Leave the office	72.57	No
Feng Yu	Deputy GM	M	51	Currently in office	66.15	No
Li Ming	Deputy GM	M	56	Currently in office	64.46	No
Qi Peng	Secretary of the board of the Company	M	45	Currently in office	56	No
Liu Yuhong	Supervisor	F	46	Leave the office	32.91	No
Li Xiaohong	Supervisor	F	50	Leave the office	39.39	No
Wei Shaohui	Independent Director	M	46	Currently in office	6.75	No
Ji Huibin	Independent Director	M	48	Currently in office	6.75	No

Li Xiangjun	Independent Director	M	56	Currently in office	6.75	No
Total	--	--	--	--	633.54	--

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)	53
Employee in-post of main Subsidiaries (people)	267
The total number of current employees(people)	320
The total number of current employees to receive pay (people)	320
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	36
Sales personnel	33
Technician	100
Financial staff	32
Administration staff	119
Total	320
Education background	
Type of education background	Numbers (people)
Master	17
Bachelor degree	77
Junior college	70
Technical secondary school	40
Other	116
Total	320

2. Remuneration Policy

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. " and other relevant system regulations strictly implement.

3. Training programs

The Company always attaches importance to the training and development work for employees; create innovation into part of the long-term development strategy 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 Company Law, Securities Law 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 General Meeting, Procedure Rules of Board of Directors, Procedure Rules of Supervisory Committee, Working Rules of Independent Directors, Working Rules of General Manager 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. Its corporate governance conformed to the requirements of certain regulation documents issued by the CSRC concerning corporate governance of listed Company until the end of reporting period.

During the reporting period, in order to improve the Company's governance with well-defined responsibility among the Company, we have revised the "Articles of Association", which has been deliberate and approved by the shareholders general meeting.

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. Independency 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. All the senior management of the Company 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 is completely independent from the controlling shareholder in terms of assets; each of them is able to operate independently. The Company has complete and separate purchase system, production system, sales system and relevant service system. Intangible assets including industry property, trademark and non-proprietary technology are owned by the Company on separate basis.

(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 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	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2016	Annual General Meeting	73.01%	2017-05-04	2017-05-05	“Resolution Notice of Annual General Meeting of 2016” (No.: 2017-029) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
First Extraordinary General Meeting of 2017	Extraordinary General Meeting	73.01%	2017-05-25	2017-05-26	“Resolution Notice of First Extraordinary General Meeting of 2017” (No.: 2017-036) published

					on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Second Extraordinary General Meeting of 2017	Extraordinary General Meeting	73.01%	2017-12-18	2017-12-19	“Resolution Notice of Second Extraordinary General Meeting of 2017” (No.: 2017-099) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
Third Extraordinary General Meeting of 2017	Extraordinary General Meeting	73.01%	2018-12-28	2017-12-29	“Resolution Notice of Third Extraordinary General Meeting of 2017” (No.: 2017-103) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)

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							
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
Li Xiangjun	12	3	9	0	0	N	0
Ji Huibin	12	3	9	0	0	N	2
Wei Shaohui	12	3	9	0	0	N	1

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

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 relevant laws and regulation of "Company Law", "Securities Laws", "Listing Rules for Stocks" and "System of Independent Directors", independent directors focus on the normative of Company's operation, performed responsibility independently and carry out their duties diligently; issued independent and fair-ness independent opinions on the audit institution, appointed in reporting period for financial report and internal control of the Company, related transactions, capital contact with related parties and external guarantee, profit distribution, change the project with fund-raised investment, amendment of article of association, director, supervisor and senior executives changes as well as other events needs independent opinions issued, which perfected supervision mechanism for the Company and play a corresponding role in protecting legal interest of the Company and whole shareholders.

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

1. Duty performance of the strategic committee

The strategic committee of the board is specially set according to general meeting resolution and the Articles of Association, 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 board. During the reporting period, the committee performed its duties according to the Working Rules of the Strategic Committee, with each of its members doing their best to perform the respective duties. The Committee takes part in the discussion on the operation development planning and related investment projects. On 8 May 2017, the Committee holds a meeting for deliberating the Proposal of “change the fund-raised investment projects and investment for Sichuan Regional Jewelry Channel Platform Company” and “participated in bidding the 30% equity of Shenzhen Xinglong Mechanical Mold Co., Ltd.”, On 11 December 2017, the Committee holds a meeting for deliberating the Proposal of “selling 43% equity of Shenzhen Xinglong Mechanical Mold Co., Ltd.” and “change the fund-raised investment projects”, individual opinions and recommendations are encouraged. It emphasizes on legal person governance and standardized operation. By raising measures to prevent operation risks, the committee plays an important role in increasing the core competitiveness, strengthening scientific decisions and enhancing efficiency of material investment decision as well as the quality of decisions.

2. The audit committee

During the reporting period, the committee performed its duties according to the Articles of Association and Working Procedures of the Audit Committee. The committee pays close attention to the operation, finance and implementation of standard internal control. It strengthens communications with the relevant responsible departments within the Company, and reviews the effective appraisal on the internal control and corporate risk management by means of telecommunication, investigation and reporting. It reviews that whether the operation, finance and accounting policy of the Company follows relevant laws and rules, and provides management and audit opinions.

On 30 August 2017, audit committee of the Company holding a meeting for deliberating the “proposal of continuing contract with the auditing institution for year of 2017”. 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 2017 annual audit 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.

After the official audit by Ruihua, members of the audit committee made calls to enquire the audit progress, and urged the accounting firm to complete audit as scheduled according to the working arrangement, so as to ensure prompt disclosure of its annual report. Meanwhile, the committee conducted communications with the accountants in respect of the issues found in audit works.

After the issuance of initial audit opinions by the accountants, 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 examination committee

During the reporting period, the remuneration and examination committee hold two meetings for reviewing the

remuneration of directors, supervisors and senior management of the Company and “Management Measures on Annual Performance for Senior Executives”, the “proposal of adjustment on remuneration for independent directors” has deliberated on the meeting held on 8 May 2017, after reviewing, the entire members of the committee believed that the remuneration payment in the reporting period complied with the Company’s performance examination system. The remuneration of directors, supervisors and senior management were determined according to the relevant systems of the Company.

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

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	2018-04-03	
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	92.76%	
Ratio of the operation revenue from enterprise included in the appraisal range in total revenue in consolidate statement	81.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	1. Major deficiencies: a. Fraud of management leading to material misstatements of financial results or false financial reports, which mislead users of	1. Major deficiencies: a. Great decisions violate the Company’s established procedure, resulting in significant losses to the Company; b. Serious violation of

	<p>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 correct judgments to the statement users.</p> <p>2. Significant deficiencies: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 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.</p> <p>3. General deficiencies:Deficiencies except for major and significant deficiencies.</p>	<p>laws and 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.</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:Deficiencies except for major and significant deficiencies.</p>
<p>Quantitative standard</p>	<p>1. Major deficiencies: misstatement amount > 10% of total profit, and absolute amount > 2 million Yuan;</p> <p>2. Significant deficiencies: 5% of total profit < misstatement amount ≤10% of total profit, and absolute amount > 1 million Yuan; or 1 million Yuan < absolute amount ≤ 2 million Yuan, and misstatement amount > 5% of total profit.</p>	<p>1. Major deficiencies: loss amount > 1.5% of owner's equity attributable to parent Company, and absolute amount > 5 million Yuan;</p> <p>2. Significant deficiencies: 0.5% of owner's equity attributable to parent Company < loss amount ≤ 1.5% of owner's equity attributable to parent Company, or 1 million Yuan < absolute</p>

	3. General deficiencies: misstatement amount \leq 5% of total profit, or absolute amount \leq 1 million Yuan	amount \leq 5 million Yuan; 3. General deficiencies: loss amount \leq 0.5% of owner's equity attributable to parent Company, or absolute amount \leq 1 million Yuan
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, according to relevant regulations and "Basic Rules of Internal Control for Enterprise", Shenzhen Tellus Holding Co., Ltd. maintained an efficiency internal control of financial report dated 31 December 2017, in all material aspects.	
Disclosure details of audit report of internal control	Disclosure
Disclosure date of audit report of internal control (full-text)	2018-04-03
Index of audit report of internal control (full-text)	Juchao website for information disclosure appointed by Shenzhen Stock Exchange: http://www.cninfo.com.cn
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	2018-04-02
Audit authority	Ruihua CPA (LLP)
Auditing file No.	Ruihua Shen Zi 【2018】 No.: 48400002
CPA's name	Cai Xiaodong, Zhou Xuechun

Text of auditing 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 2017, 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 2017, 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 in Note (VI) 15 to financial statements, The construction in progress is mainly the phase I of Tellus Shuibei Jewelry Building (“the Project”). Capital raising、bank loans and internal funds are sources of funds for the Project. The Project accounts for a large proportion of the total assets in the Company and has a significant effect on the misstatement in the financial statements, thus the measurement of construction in progress is identified as the key audit matter.

2. How our audit addressed the matter

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.

We performed a confirmation procedure by issuing letters to the third parties and enquiring the total project price、accumulative amount of project payments and outstanding project payments.

We evaluated the provision impairment of construction in progress by conducting the following procedures:

(II) Revenue recognition for sales of cars

1. Factual description

As disclosed in Note (VI) 36 and Note (XII) 4to financial statements, the Company had operating income of RMB 347.24 million in 2017, of which car sales was RMB 146.15 million, accounting for a large proportion of the total operating incomes. On the other hand, China has enforced the implementation of the Car sales administrative policy since July 1, 2017, the sales model of cars is expected to be adjusted and has a significant effect on the key performance indicators in the financial statements, thus the revenue recognition for sales of cars is identified as the key audit matter.

2. How our audit addressed the matter

We performed the following procedures for sales of cars.

We assessed the design and implementation of the key revenue recognition internal controls of the

Company in order to determine the effectiveness of the internal control policies;

We performed an analytical procedure for identified risks based on the understanding of the Company's customers and business environment. By comparing car sales figures during this year with last year figures, we evaluated whether the commodity structure and price change are keys to abnormal movements.

We obtained and cross-checked supporting documents related to the sales of cars on sample basis, including sales agreements, transportation documents, receipt notes, sales invoices.

We examined supporting documents including receipt notes or settlement notes from customers for sales of cars recognized before or after the balance sheet date, so as to evaluate whether the sales of cars was recorded in the correct period.

We assessed the advances from customers were whether carried forward timely when the sales of cars were realized so as to determine the accuracy and appropriateness of the carrying value of car sales.

We performed a confirmation procedure by issuing letters to the third parties for verifying the records of advances from customers.

IV. Other information

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2017 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 statements

Units in Notes of Financial Statements is RMB

Consolidated Balance Sheet

As at 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note VI.	Closing balance	Opening balance
Current Assets:			
Monetary funds	1	161,793,218.56	218,497,640.10
Financial assets held-for-trading			
Note receivables			
Account receivables	2	44,215,236.68	113,736.64
Prepayments	3	3,737,706.70	8,436,668.35
Interest receivable	4	221,232.88	172,055.56
Dividends receivable	5	779,868.09	
Other receivables	6	14,819,164.11	16,586,387.45
Inventories	7	12,646,227.22	11,038,915.69
Non-current asset due within one year			
Other current assets	8	219,582,250.70	90,123,901.32
Total current assets		344,969,305.11	344,969,305.11
Non-current Assets:			
Financial assets held-for-trade	9	10,176,617.20	10,478,985.77
Held-to-maturity investments	10		
Long-term receivables	11		
Long-term equity investments	12	284,464,749.15	203,633,308.06
Investment properties	13	73,223,512.21	77,602,248.53
Fixed assets	14	120,296,822.84	129,226,236.16
Construction in progress	15	378,160,896.69	343,365,313.46
Materials for construction			
Disposal of fixed assets			
Bio-assets in production			
Oil and gas assets			
Intangible assets	16	52,349,686.92	53,739,118.72
Development expenditure			
Goodwill			
Long-term deferred expenses	17	1,779,713.94	1,437,761.31
Deferred tax assets	18	24,394,028.91	24,448,797.86
Other non-current assets	19	673,661.62	100,000.00
Total non-current assets		945,519,689.48	844,031,769.87
Total Assets		1,403,314,594.42	1,189,001,074.98

Consolidated Balance Sheet (Continued)

As at 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note VI.	Closing balance	Opening balance
Current liabilities:			
Short-term loans	21	120,000,000.00	50,000,000.00
Financial liabilities held-for-trade			
Notes payable			
Accounts payable	22	28,032,708.69	23,599,227.33
Advances from customers	23	13,790,019.47	11,930,493.02
Employee benefits payable	24	23,171,154.53	27,144,631.18
Taxes payable	25	9,927,572.27	10,081,678.60
Interest payables	26	229,494.72	77,826.33
Dividends payable			
Other payables	27	153,099,910.49	126,045,854.54
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		348,250,860.17	248,879,711.00
Non-current liabilities:			
Long-term loans	28	38,600,000.00	12,000,000.00
Bonds payable			
Long-term payables	29	3,920,160.36	3,920,160.36
Long-term employee benefits payable			
Special payables			
Accrued liabilities	30		1,192,618.90
Deferred tax liabilities	18		232,711.06
Other non-current liabilities	31	14,520,000.00	14,239,537.48
Total non-current liabilities		57,040,160.36	31,585,027.80
Total liabilities		405,291,020.53	280,464,738.80
Owners' equity:			
Paid-in capital	32	297,281,600.00	297,281,600.00
Capital reserve	33	565,226,274.51	564,192,605.51
Less: treasury shares			
other comprehensive income			
Special reserve			
Surplus reserves	34	2,952,586.32	2,952,586.32
General risk reserve			
Undistributed profit	35	97,798,595.80	30,935,823.12
Foreign exchange translation difference			
Total owners' equity attributable to parent company		963,259,056.63	895,362,614.95
Minority interests		34,764,517.26	13,173,721.23
Total owners' equity		998,023,573.89	908,536,336.18
Total liabilities and owners' equity		1,403,314,594.42	1,189,001,074.98

Legal representative: Lv Hang Person in charge of accounting: Lou Hong Person in charge of accounting organ: Liu Yuhong

Consolidated Income Statement

For the Year Ended 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note VI.	Closing balance	Opening balance
I .Total operating income	36	347,237,289.80	324,240,841.90
Including: Operating income	36	347,237,289.80	324,240,841.90
II .Total operating Costs		313,002,481.12	297,539,255.62
Including: Operating costs	36	254,254,960.65	229,042,849.63
Taxes and surcharges	37	3,638,454.37	8,772,047.77
Selling and distribution expenses	38	16,490,379.71	16,656,674.49
Administrative expense	39	36,735,283.59	42,446,751.49
Financial expense	40	1,520,168.86	-505,960.97
Impairment losses of assets	41	363,233.94	1,126,893.21
Add: Gains from changes in fair value ("- means loss)			
Investment income ("- means loss)	42	33,599,860.09	5,098,993.57
Including: Investment income from associates and joint venture	42	21,297,772.09	1,182,675.73
Gains on disposal of assets ("- means loss)	43	374,583.14	68,314.27
Other income	44	25,753.22	-
III.Operating profit ("- means loss)		68,235,005.13	31,868,894.12
Add: Non-operating income	45	725,518.07	32,237.30
Including:Gain from disposal of non-current assets	45	-	-
Less: Non-operating expenses	46	35,120.31	1,415,801.07
Including: Loss on disposal of non-current assets	46	29,444.35	120,004.34
IV.Total profit ("- means loss)		68,925,402.89	30,485,330.35
Less: Income tax expenses	47	3,143,834.18	2,867,397.81
V .Net profit ("- means loss)		65,781,568.71	27,617,932.54
(I)Categorization by continuity of operation			
1.Net profit of continued operation		65,781,568.71	27,617,932.54
2.Net profit of discontinued operation		-	-
(II)Categorization by attribution of ownership			
1.Net profit attributable to shareholders of the parent		-1,081,203.97	424,369.91
2.Profit of loss attributable to minority shareholder		66,862,772.68	27,193,562.63
VI.Earnings per share			
Basic Earnings per share		0.2249	0.0915
Diluted Earnings per share		0.2249	0.0915
VII.Net value of other comprehensive income after tax			
Net value of other comprehensive income after tax to owners of parent company			
Other comprehensive income that can be reclassified into profit and loss			
The gains and losses on fair value changes of financial assets held-for-trade			
VIII.Total comprehensive income		65,781,568.71	27,617,932.54
Total comprehensive income attributable to owners of parent company		66,862,772.68	27,193,562.63
Total comprehensive income attributable to minority interests		-1,081,203.97	424,369.91

Legal representative: Lv Hang Person in charge of accounting: Lou Hong Person in charge of accounting organ: Liu Yuhong

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note VI.	Amount for the current period	Amount for the prior period
I. Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering of services		351,036,436.94	370,098,515.70
Refund of taxes and levies			
Cash received relating to other operating activities	48	9,418,234.47	12,156,441.52
Sub-total of Cash Inflows		360,454,671.41	382,254,957.22
Cash paid for goods and services		236,140,838.02	209,258,447.95
Cash paid to and on behalf of employees		55,047,561.06	60,984,493.75
Cash paid on taxes and levies		20,250,075.88	20,335,212.12
Cash paid relating to other operating activities	45	51,109,264.50	33,801,869.08
Sub-total of Cash Outflows		362,547,739.46	324,380,022.90
Net Cash Flows from Operating Activities		-2,093,068.05	57,874,934.32
II. Cash Flows from Investing Activities:			
Cash received from return of investments		628,171,900.00	401,300,000.00
Cash received investing income		15,714,288.78	12,363,270.79
Net cash received from disposal of fixed assets, intangible assets and other long assets		259,940.00	
Net cash flows from disposal subsidiary and other operating unite		2,343,240.90	
Other cash received relating to investing activities		40,000,000.00	
Sub-total of Cash Inflows		686,489,369.68	413,663,270.79
Cash paid to acquire fixed assets, intangible assets and other long assets		31,340,610.55	67,736,915.76
Cash paid on investments		804,100,000.00	306,590,290.86
Net cash paid on obtain subsidiary and other operating unite			
Cash paid on other investing activities			
Sub-total of Cash Outflows		835,440,610.55	374,327,206.62
Net Cash Flows from Investing Activities		-148,951,240.87	39,336,064.17
III. Cash flow from Financing Activities			
Cash received from investments		22,672,000.00	2,330,000.00
Including: Cash received from investments by minority interests of subsidiaries		22,672,000.00	2,330,000.00
Cash received from borrowing		216,600,000.00	62,000,000.00
Cash received from issuing bonds			
Cash received from other financing activities			
Sub-total of Cash Inflows		239,272,000.00	64,330,000.00
Cash repayments on borrowed amounts		120,000,000.00	63,000,000.00
Cash payments for distribution of dividends or profits		4,931,753.63	19,228,479.17
Including: Dividends or profit paid to minority interests of subsidiaries			
Cash payments on other financing activities			
Sub-total of cash Outflows		124,931,753.63	82,228,479.17
Net cash flows from financing activities		114,340,246.37	-17,898,479.17
IV. Effect of foreign exchange rate on cash		-358.99	409.85
V. Net increase in cash and cash equivalents		-36,704,421.54	79,312,929.17
Add: cash equivalents at the beginning of the period		178,497,640.10	99,184,710.93
VI. Cash equivalents at the end of the period		141,793,218.56	178,497,640.10

Legal representative: Lv Hang Person in charge of accounting: Lou Hong Person in charge of accounting organ: Liu Yuhong

CONSOLIDATED STATEMENT OF CHANGE IN OWNER'S EQUITY

For the Year Ended 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Amount for the current year											Amount for the prior year													
	Attribute to the equity of parent company										Minority interests	Total owners' equity	Attribute to the equity of parent company										Minority interests	Total owners' equity	
	Paid-in capital (or Share capital)	Capital reserve	Less: Treasury shares	Special reserve	other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Others	Paid-in capital (or Share capital)			Capital reserve	Less: Treasury shares	other comprehensive income	Special reserve	Surplus reserve	General reserve	Undistributed profit	Others					
1. Balance at the End of Last Period	297,281,600.00	564,192,605.51				2,952,586.32		30,935,823.12			13,173,721.23	908,536,336.18	220,281,600.00	564,192,605.51					2,952,586.32		3,742,260.49			10,419,351.32	878,588,403.64
Add: Changes of accounting policies																									
Prior year adjustments																									
Others																									
2. Balance at the Beginning of the Year	297,281,600.00	564,192,605.51				2,952,586.32		30,935,823.12			13,173,721.23	908,536,336.18	220,281,600.00	564,192,605.51					2,952,586.32		3,742,260.49			10,419,351.32	878,588,403.64
3. Increase/Decrease movements in this Year ("-" means loss)		1,033,669.00						66,862,772.68			21,590,796.03	89,487,237.71	77,000,000.00	556,520,000.00							27,193,562.63			2,754,369.91	49,667,001.28
(I) Total comprehensive income								66,862,772.68			-1,081,203.97	65,781,568.71									27,193,562.63			424,369.91	47,337,001.28
(II) Gain/Loss to Owners' Equity Directly																									
(III) Capital Injected and Reduced by Owners		1,033,669.00									22,672,000.00	23,705,669.00	77,000,000.00	556,520,000.00										2,330,000.00	2,330,000.00
a. Capital injected by owners		1,033,669.00									22,672,000.00	23,705,669.00	77,000,000.00	556,520,000.00										2,330,000.00	2,330,000.00
b. Payment for shares included in owners' equity																									
c. Others																									
(IV) Profit Distribution																									
a. Withdrawal surplus reserve																									
b. Provisions withdrawn for general risk																									
c. Distribution to owners (or shareholders)																									
d. Others																									
(V) Internal transfers of owners' equity																									
a. Capitalisation of Additional paid-in capital: (or share capital)																									
b. Capitalization of surplus reserve (or share capital)																									
c. Making up losses of surplus reserve																									
d. Others																									
(VI) Special Reserve																									
a. Withdrawal of special reserve																									
b. Use of special reserve																									
(VII) Others																									
4. Balance at the end of the period	297,281,600.00	565,226,274.51				2,952,586.32		97,798,595.80			34,764,517.26	998,023,573.89	297,281,600.00	564,192,605.51					2,952,586.32		30,935,823.12			13,173,721.23	908,536,336.18

Legal representative: Lv Hang

Person in charge of accounting: Lou Hong

Person in charge of accounting organ: Liu Yuhong

Balance Sheet

As at 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note XIII.	Closing balance	Opening balance
Current Assets:			
Monetary funds		97,991,738.05	150,800,890.39
Financial assets held-for-trade			
Notes receivable			
Accounts receivable	1		
Prepayments			32,280.00
Interest receivable		221,232.88	172,055.56
Dividends receivable		779,868.09	
Other receivables	2	98,321,166.40	98,999,650.03
Inventories			
Non-current asset due within one year			
Other current assets		203,500,000.00	90,000,000.00
Total current assets		400,814,005.42	340,004,875.98
Non-current Assets:			
Financial assets available-for-sale		10,176,617.20	10,176,617.20
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	3	789,830,758.66	686,225,666.43
Investment properties		46,749,467.61	49,847,406.09
Fixed assets		15,536,781.07	16,497,899.89
Construction in progress		5,554,512.79	373,191.69
Materials for construction			
Disposal of fixed assets			
Bio-assets in production			
Oil and gas assets			
Intangible assets		341,121.77	484,538.73
Development expenditure			
Goodwill			
Long-term deferred expenses		223,715.66	239,924.49
Deferred tax assets		13,869,311.84	13,908,254.04
Other non-current assets			
Total non-current assets		882,282,286.60	777,753,498.56
Total Assets		1,283,096,292.02	1,117,758,374.54

Balance Sheet (Continued)

As at 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans		120,000,000.00	50,000,000.00
Financial liabilities held-for-trade			
Notes payable			
Accounts payable		14,000.00	
Advance from customers		1,511.00	
Employee benefits payable		5,769,360.88	7,713,651.26
Taxes payable		474,977.89	524,089.23
Interest payable		165,604.16	66,458.33
Dividends payable			
Other payables		295,776,662.59	253,475,259.99
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		422,202,116.52	311,779,458.81
Non-current liabilities:			
Long-term loans			
Bonds payable			
Long-term payables			
Long-term employee benefits			
Special payables			
Accrued liabilities			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		422,202,116.52	311,779,458.81
Owners' equity:			
Paid-in capital		297,281,600.00	297,281,600.00
Capital reserve		562,032,851.23	560,999,182.23
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserves		2,952,586.32	2,952,586.32
General risk reserve			
Undistributed profit		-1,372,862.05	-55,254,452.82
Total owners' equity attributable to parent company		860,894,175.50	805,978,915.73
Total liabilities and owners' equity		1,283,096,292.02	1,117,758,374.54

Legal representative: LvHang Person in charge of accounting: Lou Hong Person in charge of accounting organ: Liu Yuhong

Income Statement

For the Year Ended 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note XIII.	Amount for the current period	Amount for the prior period
I .Total operating income	4	44,035,720.63	42,675,858.14
Less:Operating cost	4	3,662,936.04	3,596,474.49
Taxes and surcharges		1,658,236.32	1,946,487.56
Selling and distribution expenses			
Administrative expense		15,151,430.07	18,123,683.40
Financial expense		856,292.09	-54,231.75
Impairment losses of assets		-178,762.83	210,905.47
Add: Gain from changes in fair value ("-" means loss)			
Investment income ("-" means loss)	5	31,049,977.47	17,320,863.81
Including: Investment income from associates and joint venture		17,123,423.23	6,984,139.28
Gains on disposal of assets ("-" means loss)			
Other income			
II.Operating profit ("-" means loss)		53,935,566.41	36,173,402.78
Add: Non-operating income		0.04	0.01
Including:Gain from disposal of non-current assets			
Less:Non-operating expenses		15,033.48	
Including: Loss on disposal of non-current assets		15,033.48	
III.Total profit ("-" means loss)		53,920,532.97	36,173,402.79
Less: Income tax expenses		38,942.20	38,942.20
IV.Net profit ("-" means loss)		53,881,590.77	36,134,460.59
V.Other comprehensive income			
Other comprehensive income that can be reclassified into profit and loss			
The gains and losses on fair value changes of financial assets held-for-trade			
VI.Total comprehensive income		53,881,590.77	36,134,460.59

Legal representative: LvHang Person in charge of accounting: LouHong Person in charge of accounting organ: LiuYuhong

Cash Flow Statement

For the Year Ended 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Note	Amount for the current period	Amount for the prior period
I . Cash Flow from Operating Activities:			
Cash received from sales of goods or rendering of services		60,856,831.09	51,007,384.73
Refund of taxes and levies			
Cash received relating to other operating activities		9,696,177.07	28,092,646.25
Sub-total of Cash Inflows		70,553,008.16	79,100,030.98
Cash paid for goods and services			
Cash paid to and on behalf of employees		14,515,785.88	15,349,455.10
Cash paid on taxes and levies		3,755,038.44	3,969,332.10
Cash paid relating to other operating activities		21,185,336.08	22,389,973.93
Sub-total of Cash Outflows		39,456,160.40	41,708,761.13
Net Cash Flows from Operating Activities		31,096,847.76	37,391,269.85
II . Cash Flows from Investing Activities:			
Cash received from return of investments		535,500,000.00	365,000,000.00
Cash received investing income		15,146,686.15	12,201,500.94
Net cash received from disposal of fixed assets, intangible assets and other long assets		13,195.84	
Net cash flows from disposal subsidiary and other operating unite		14,150,000.00	
Other cash received relating to investing activities		40,000,000.00	
Sub-total of Cash Inflows		604,809,881.99	377,201,500.94
Cash paid to acquire fixed assets, intangible assets and other long assets		4,549,479.98	574,662.05
Cash paid on investments		730,598,000.00	291,290,290.86
Cash paid on other investing activities			
Sub-total of cash outflows		735,147,479.98	291,864,952.91
Net Cash Flows from Investing Activities		-130,337,597.99	85,336,548.03
III. Cash flow from Financing Activities			
Cash received from investments			
Cash received from borrowing		190,000,000.00	50,000,000.00
Cash received from issuing bonds			
Cash received from other financing activities			
Sub-total of cash inflows		190,000,000.00	50,000,000.00
Cash repayments on borrowed amounts		120,000,000.00	63,000,000.00
Cash payments for distribution of dividends or profits		3,568,402.11	19,228,479.17
Cash payments on other financing activities			
Sub-total of cash Outflows		123,568,402.11	82,228,479.17
Net cash flows from financing activities		66,431,597.89	-32,228,479.17
IV. Effect of foreign exchange rate on cash			
V . Net increase in cash and cash equivalents		-32,809,152.34	90,499,338.71
Add: cash equivalents at the beginning of the period		110,800,890.39	20,301,551.68
VI. Cash equivalents at the end of the period		77,991,738.05	110,800,890.39

Legal representative: Lv Hang Person in charge of accounting: Lou Hong Person in charge of accounting organ: Liu Yuhong

STATEMENT OF CHANGE IN OWNER'S EQUITY

For the Year Ended 31 December 2017

Prepared by: Shenzhen Tellus Holding Co.,Ltd.

Currency: RMB Yuan

Item	Amount for the current year									Amount for the prior year									
	Paid-in capital (or Share capital)	Capital reserve	Less: Treasury shares	Special reserve	other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total owners' equity	Paid-in capital (or Share capital)	Capital reserve	Less: Treasury shares	other comprehensive income	Special reserve	Surplus reserve	General reserve	Undistributed profit	Total owners' equity	
1. Balance at the End of Last Period	297,281,600.00	560,999,182.23				2,952,586.32		-55,254,452.82	805,978,915.73	297,281,600.00	560,999,182.23				2,952,586.32		-91,388,913.41	769,844,455.14	
Add: Changes of accounting policies																			
Prior year adjustments																			
Others																			
2. Balance at the Beginning of the Year	297,281,600.00	560,999,182.23				2,952,586.32		-55,254,452.82	805,978,915.73	297,281,600.00	560,999,182.23				2,952,586.32		-91,388,913.41	769,844,455.14	
3. Increase/Decrease movements in this Year ("-" means loss)		1,033,669.00						53,881,590.77	54,915,259.77								36,134,460.59	36,134,460.59	
(I) Total comprehensive income								53,881,590.77	53,881,590.77								36,134,460.59	36,134,460.59	
(II) Other comprehensive income																			
(III) Capital Injected and Reduced by Owners		1,033,669.00							1,033,669.00										
a. Capital injected by owners		1,033,669.00							1,033,669.00										
b. Payment for shares included in owners' equity																			
c. Others																			
(IV) Profit distribution																			
a. Withdrawal surplus reserve																			
b. Provisions withdrawn for general risk																			
c. Distribution to owners (or shareholders)																			
d. Others																			
(V) Internal transfers of owners' equity																			
a. Capitalisation of Additional paid-in capital; (or share capital)																			
b. Capitalisation of surplus reserve (or share capital)																			
c. Making up losses of surplus reserve																			
d. Others																			
(VI) Special Reserve																			
a. Withdrawal of current period																			
b. Use of special reserve																			
(VII) Others																			
4. Balance at the end of the period	297,281,600.00	562,032,851.23				2,952,586.32		-1,372,862.05	860,894,175.50	297,281,600.00	560,999,182.23				2,952,586.32		-55,254,452.82	805,978,915.73	

Legal representative: Lv Hang

Person in charge of accounting: Lou Hong

Person in charge of accounting organ: Liu Yuhong

SHENZHEN TELLUS HOLDING CO., LTD.

Notes to Financial Statements

(For the Year Ended 31 December, 2017 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: Hang LV

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”wasqualified to list in Shenzhenstock 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 shares20 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 (%)
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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 31st 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 4th 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

Category	Amount (share)	Ratio (%)
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 19th special meeting of the 7th Board Meeting on April 21st, 2015, and the 4th stockholders' meeting on June 3rd, 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 2017, the Company had issued 29,728.16 million shares, details in VI-32.

4. The scope of consolidation

There are 16 subsidiaries included in the 2017 consolidation scope, details in notes 8 “the equity in other entities”. Compared with last year (2016), one entity is newly added to the consolidation scope, 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 2nd, 2018 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 2017. 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' 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 deposing 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 ①those 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 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 measure 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 (%)
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 investmentd

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 by 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 lawsthat 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

①The 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.

②The 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.

② The 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

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

In 28 April, 2017, the Ministry of Finance issued the accounting standard for Enterprises No. 42 - non current assets held for sale, disposal group and termination of operating, based on Accounting [2017] No.13, which was implemented since 28 May, 2017. In 10 May, 2017, the Ministry of Finance issued

the accounting standards for Enterprises No.16 - government subsidy (2017 Revision), based on accounting [2017] No.15, which was implemented since 12 June, 2017. The company began to implement the aforementioned two accounting standards in 2, April 2018.

Before the implementation of "the accounting standards for Enterprises No. 16 - government subsidy (2017 Revision)", government subsidies the company obtained were included in non-operating income; the government grants related to assets recognized as deferred income, which were amortized averagely in the operational life of assets. After the implementation of "the accounting standards for Enterprises No. 16 – government subsidy (2017 Revision)", the government subsidies related to daily activities took place after January 1, 2017 were included in other income, and the government subsidies which were not related to daily activities were included in non-operating income.

In 25 December, 2017, the Ministry of finance issued the notice of the ministry of finance on revising the form of general corporate financial statements, based on accounting [2017] No.30 revised and issued, non-financial enterprise implementing the accounting standards should be in accordance with the accounting standards for enterprises and the requirements of this notice for the financial statements of the year 2017 and following years. In accordance with implementation of the notice of the ministry of finance on revising the form of general corporate financial statements, the original presentation in the "non-operating income" and "non-operating expenses" of the disposal gains and losses of non-current assets and the exchange gains and losses of non-monetary assets, is changed into "Gains(losses) from disposal of assets".

The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

serial number	The nature and the reasons of the changes in accounting policies	The line items and amounts affected
1	The Company and its subsidiaries recorded the Net profit of continued and discontinued operation in income statement. The comparatives as at 31 December 2016 were restated accordingly	Net profits of continued operation : Consolidated and The company are RMB 65,781,568.71 and 53,881,590.77 respectively during this year, RMB 27,617,932.54 and 36,134,460.59 respectively during last year.
2	The Company and its subsidiaries recorded the VAT return obtained and other government grants related to ordinary activities in 2017 in other income. The comparatives as at 31 December 2016 were not restated	Other income: Consolidated and The company are RMB25,753.22 and 0 respectively.
3	The Company and its subsidiaries recorded the gains or losses on disposals of fixed assets occurred in 2017, in loss on disposals of assets. The comparatives as at 31 December 2016 were restated	Gains(losses) from disposal of assets: consolidated and The company are RMB 374,583.14 and 0 respectively during this year.

serial number	The nature and the reasons of the changes in accounting policies	The line items and amounts affected
1	The Company and its subsidiaries recorded the Net profit of continued and discontinued operation in income statement. The comparatives as at 31 December 2016 were restated accordingly	Net profits of continued operation : Consolidated and The company are RMB 65,781,568.71 and 53,881,590.77 respectively during this year, RMB 27,617,932.54 and 36,134,460.59 respectively during last year.
	accordingly	RMB 68,314.27 and 0 respectively during last year。 Non-operating income: adjusted consolidated and The company RMB -68,314.27 and 0 respectively during last year。

(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, property management fee pay VAT on 6% rate. Tax base is difference between out put tax and deductible input tax.	17%, 6%, 5%, 3%
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, 2017, the Closing refers to the December 31, 2017.

1、 Monetary assets

Items	Closing balance	Opening balance
Cash on hand	119,576.83	96,167.91

Items	Closing balance	Opening balance
Cash in bank	161,673,641.73	218,401,472.19
Total	161,793,218.56	218,497,640.10

Up to December 31st, 2017, the Company buy 6 months structural deposits in China Everbright Bank worth RMB 20,000,000.00, which the ownership is limited. The opening balance of the similar structural deposits worth RMB 40,000,000.00.

2、Accounts receivables

(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 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

(continued)

Items	Opening balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	22,512,414.52	46.03	22,512,414.52	100.00	
The aging analysis of the receivables that are grouped and impaired	113,736.64	0.23			113,736.64
Accounts receivable of which provision for bad debts is of individually insignificant	26,282,070.64	53.74	26,282,070.64	100.00	
Total	48,908,221.80	100.00	48,794,485.16	99.77	113,736.64

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

Accounts receivables	Closing balance			Reason
	Carrying amount	Bad debt provision	Ratio %	
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
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.	43,456,624.08	434,566.24	1.00	Jewellery sales on credit,within credit period
Total amount	65,959,038.60	22,936,980.76	34.77	

② Bad debt provision by aging

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio (%)
Within 1 year	1,193,178.84		
Total	1,193,178.84		

(2) Recognition, recovery or reversal of provision for bad debts in 2017

The amount of provision for bad debts recognised during the year is RMB434,566.24 The amount of provision for bad debts during the year is recovered or reversed RMB10,000.00.

(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	10.54

Guangdong Zhanjiang Sanxing Automobile Co.,Ltd	Un-related party	4,060,329.44	Over 3year	4.35
Yueliang Xiao	Un-related party	3,204,349.99	Within 1 year	3.43
Tingyun Wei	Un-related party	3,135,293.97	Within 1 year	3.35
Xiaoli Zhou	Un-related party	3,047,620.40	Within 1 year	3.26
Total		23,294,200.80		24.93

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

There is no situation happened in 2017 under this condition.

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

There is no situation happened in 2017under this condition.

3、Prepayments

(1) Aging analysis

Aging	Closing balance		Opening balance	
	Amount	(%)	Amount	(%)
Within 1 year	3,717,452.76	99.46	8,259,644.18	97.90
1-2 years			68,400.90	0.81
2-3 years	20,253.94	0.54		
Over 3 years			108,623.27	1.29
Total	3,737,706.70	100.00	8,436,668.35	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 RMB 3,710,340.76, accounting for 99.27 % of the total advance to suppliers.

4、Interest receivable

(1) Interest receivable by categories

Category	Closing balance	Opening balance
Structural deposits	221,232.88	172,055.56
Total	221,232.88	172,055.56

5、Dividends receivable

(1) Dividends receivable

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

6、Other receivables

(1) Other receivables by categories

Category	Closing balance				Carrying amount
	Carrying amount		Bad debt provision		
	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

(Continued)

Category	Opening balance				Carrying amount
	Carrying amount		Bad debt provision		
	Amount	(%)	Amount	(%)	
Other receivables of which provision for bad debts is of individually significant	39,200,840.68	55.76	39,200,840.68	100.00	
The aging analysis of the other receivables that are grouped and impaired	20,423,595.69	29.05	3,837,208.24	18.79	16,586,387.45
Other receivables of which provision for bad debts is of individually insignificant	10,678,096.75	15.19	10,678,096.75	100.00	
Total	70,302,533.12	100.00	53,716,145.67	76.41	16,586,387.45

① The significant individuals in the end of year

Name of companies	Closing balance			Reason
	Carrying amount	Bad debt provision	Ratio %	

Name of companies	Closing balance			Reason
	Carrying amount	Bad debt provision	Ratio %	
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 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	1,904,156.18	1,904,156.18	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	3,809,322.99	3,809,322.99	100.00	It is too long to collect
Total	39,192,975.09	39,192,975.09	100.00	

②Other receivables by aging balance

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio(%)
Within 1 year	10,882,158.43		

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio(%)
1-2 years	222,322.41	11,116.13	5.00
2-3 years	270,318.45	54,063.69	20.00
Over 3 years	7,019,089.28	3,509,544.64	50.00
Total	18,393,888.57	3,574,724.46	19.43

(2) Recognition, recovery or reversal of provision for bad debts in 2017

The amount of provision for bad debts recognised during this year is RMB57,112.20. The amount of recovered or reversed provision for bad debts during this year is RMB207,042.37.

(3) The classification of other receivables

Category	Carrying amount of closing balance	Opening balance
Related-party	5,043,179.46	4,960,425.05
Others	63,278,893.15	65,342,108.07
Total	68,322,072.61	70,302,533.12

(4) At 31 December 2017, 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	14.39	9,832,956.37
Chow tai fook jewellery (shenzhen) co. LTD.	intercourse funds	8,836,981.36	Within 1 year	12.93	
Shenzhen Nanfang Industry and Trade Co.,Ltd.	intercourse funds	7,359,060.75	Over 3 years	10.77	7,359,060.75
Shenzhen Zhonghao (Group) Co.,Ltd.	intercourse funds	5,000,000.00	Over 3 years	7.32	5,000,000.00
Shenzhen Kaifeng Automobile Co., Ltd.	intercourse funds	4,413,728.50	Over 3 years	6.46	2,206,864.25
Total		35,442,726.98		51.87	24,398,881.37

7、Inventory

(1) Categories of inventory

Items	Closing balance
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	Carrying amount	Provision for inventories	Net carrying amount
Raw materials	15,289,604.77	14,771,812.17	517,792.60
Low value consumables			
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

(continued)

Items	Opening balance		
	Carrying amount	Provision for inventories	Net carrying amount
Raw materials	15,237,602.35	14,771,812.17	465,790.18
Low value consumables	855.67		855.67
Finished products	25,436,110.25	14,863,840.41	10,572,269.84
Total	40,674,568.27	29,635,652.58	11,038,915.69

(2) Provision for decline in value of inventories

Items	Opening balance	Increased in 2017		Decreased in 2017		Closing balance
		Withdraw	Others	Written-off	Others	
Raw materials	14,771,812.17					14,771,812.17
Finished products	14,863,840.41	88,597.87		855,062.64		14,097,375.64
Total	29,635,652.58	88,597.87		855,062.64		28,869,187.81

(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

8、 Other current assets

Items	Closing balance	Opening balance
Deductible input tax	1,082,250.70	123,901.32
Financial products	218,500,000.00	90,000,000.00
Total	219,582,250.70	90,123,901.32

9、 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	18,605,225.77	8,126,240.00	10,478,985.77
Include : Measured by faie value						
Measured by cost value	18,302,857.20	8,126,240.00	10,176,617.20	18,605,225.77	8,126,240.00	10,478,985.77
Total	18,302,857.20	8,126,240.00	10,176,617.20	18,605,225.77	8,126,240.00	10,478,985.77

(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 shares
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
Shenzhen Bisik Transportation Industrial Co., Ltd	302,368.57		302,368.57						7.50
Rishen International Co.,Ltd	145,800.00			145,800.00	145,800.00			145,800.00	7.50
Total	18,605,225.77		302,368.57	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 2017			
including: from comprehensive profits			
Decreased in 2017			
including: fair value of return back			
Closing balance	8,126,240.00		8,126,240.00

10、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	

11、Long-term receivables

(1) Situation

Items	Closing balance			Opening balance			Discount 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 2017 Dec. 31st, 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.

12、Long-term equity investments

Investee	Opening balance	Change in 2017				
		Increasi-ng investment	Decreas-ing investment	Investment income under equity-method	Adjustment of comprehensiv-e profits	Other changes
I、Cooperative enterprise						
Shenzhen Tellus Jimeng Investment Co.,Ltd.	57,180,913.33			-936,636.49		
Shenzhen Tellus Xing Investment Co.,Ltd.	10,583,444.88			279,948.88		
Total	67,764,358.21			-656,687.61		
II、Joint venture						
Shenzhen Xing Long Mechanical Models Co.,Ltd.	15,878,254.74	67,600,000.00		281,075.09		1,033,669.00
*Note						
Shenzhen Tellus Automobile Services Chain Co.,Ltd.						
Shenzhen Ren fu Tellus Automobiles Services Co.,Ltd.	75,715,480.75			17,499,035.75		
Shenzhen Automobile Industrial Import and Export Co.,Ltd	8,427,067.20			-286,593.36		
Shenzhen Dongfeng Automobile Co., Ltd.	35,476,407.97			4,452,019.54		
Shenzhen Xinyongtong Tenology Co.,Ltd	368,948.94			11,712.93		
Shenzhen Xinyongtong Pump and Environmental Protection	127,836.59					

Investee	Opening balance	Change in 2017				
		Increasi-ng investment	Decreas-ing investment	Investment income under equity-method	Adjustment of comprehensiv-e profits	Other changes
Co.,Ltd						
Shenzhen Xinyongtong Consulting Service Co.,Ltd.	41,556.83					
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	2,790.25			-2,790.25		
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 Standard Co.,Ltd.*Note①	500,000.00					
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					

Investee	Opening balance	Change in 2017				
		Increasi-ng investment	Decreas-ing investment	Investment income under equity-method	Adjustment of comprehensiv-e profits	Other changes
Shenzhen Yiming Automobile Trading Co.,Ltd. *Note①	200,001.10					
Total	150,513,355.89	67,600,000.00		21,954,459.70		1,033,669.00
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	226,933,714.10	67,600,000.00		21,297,772.09		1,033,669.00

(continued)

Investee	Change in 2017			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
I、Cooperative enterprise					
Shenzhen Tellus Jimeng Investment Co.,Ltd.				56,244,276.84	
Shenzhen Tellus Xing Investment Co.,Ltd.				10,863,393.76	
Total				67,107,670.60	
II、Joint venture					
Shenzhen Xing Long Mechanical Models Co.,Ltd. *Note				84,792,998.83	
Shenzhen Tellus Automobile Services Chain Co.,Ltd.					
Shenzhen Ren fu Tellus Automobiles Services Co.,Ltd.	9,100,000.00			84,114,516.50	
Shenzhen Automobile Industrial Import and				8,140,473.84	

Investee	Change in 2017			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
Export Co.,Ltd					
Shenzhen Dongfeng Automobile Co., Ltd.				39,928,427.51	
Shenzhen Xinyongtong Tenology Co.,Ltd				380,661.87	
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 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	1,810,540.70
Shenzhen Jiecheng Electronic Co.,Ltd.*Note①				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.*Note①				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
Shenzhen Yiming Automobile Trading Co.,Ltd. *Note①				200,001.10	200,001.10

Investee	Change in 2017			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
Total	9,100,000.00			232,001,484.59	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	9,100,000.00			307,765,155.19	23,300,406.04

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

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

13、Investment properties

(1) Investment properties measured at cost

Items	House, Building	Total
I. Original book value		
1、Opening balance	160,870,656.51	160,870,656.51
2、Increased at this period	446,468.61	446,468.61
(1) Land premium	446,468.61	446,468.61
3、Decreased at this period		
(1) Disposal		
4、Closing balance	161,317,125.12	161,317,125.12
II、Total accumulated depreciation and accumulated amortization		
1、Opening balance	83,268,407.98	83,268,407.98
2、Increased at this period	4,825,204.93	4,825,204.93
(1) Provision or amortization	4,825,204.93	4,825,204.93
3、Decreased at this period		
(1) Disposal		
4、Closing balance	88,093,612.91	88,093,612.91
III. Impairment allowance		

Items	House, Building	Total
IV.Book value		
1、Closing book value	73,223,512.21	73,223,512.21
2、Book value at year beginning	77,602,248.53	77,602,248.53

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

(3) There are no real estate investment buildings without property certificate up to December 31st,2017.

14、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	271,459,922.00	17,638,367.72	6,214,055.64	12,659,097.05	4,757,968.36	3,056,469.95	315,785,880.72
2、Increased at this period		135,503.05	381,449.56	189,178.68	21,771.21		727,902.50
(1) Purchase		135,503.05	381,449.56	189,178.68	21,771.21		727,902.50
3、Decreased at this period	446,468.61	640,163.70	1,052,296.79	2,054,476.86	637,694.62	358,757.96	5,189,858.54
(1) Disposal or scrap	446,468.61	640,163.70	1,052,296.79	2,054,476.86	637,694.62	358,757.96	5,189,858.54
4、Closing 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
II. Accumulated depreciation							
1、Opening balance	147,097,591.99	13,133,465.78	4,438,240.34	9,693,651.39	3,938,766.93	2,775,087.22	181,076,803.65
2、Increased at this period	7,141,895.61	295,312.62	364,585.99	561,064.56	120,257.33		8,483,116.11
(1) Provision	7,141,895.61	295,312.62	364,585.99	561,064.56	120,257.33		8,483,116.11
3、Decreased at this period	322,215.25	344,476.51	855,907.85	1,567,275.99	567,025.27	358,757.96	4,015,658.83
(1) Disposal or scrap	322,215.25	344,476.51	855,907.85	1,567,275.99	567,025.27	358,757.96	4,015,658.83
4、Closing 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

Items	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office equipment and others	Self-owned housing decoration	Total
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
2、Increased at this period							
(1) Provision							
3、Decreased at this period							
(1) Disposal or scrap							
4、Closing 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
IV.Book value							
1、Closing 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
2、Opening book value	120,806,944.31	2,952,542.15	1,769,650.30	2,947,460.95	749,638.45		129,226,236.16

Note: Current depreciation is RMB8,483,116.11. 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
Shuibe Zhongtian building	1,160,674.74	Reason left over by history
Hostel at North Remin Road	5,902.41	Reason left over by history
Songquan apartment (Mix)	34,504.34	Reason left over by history
Tellus building underground park	10,531,724.84	Unable to handle real estate license
Tellus building conversion layer	1,874,303.72	Unable to handle real estate license
Warehouse of trading department	93,123.97	Reason left over by history
Warehouse	971,438.53	Reason left over by history
The 1 st , 2 nd , 3 rd factory building, 3 to 5 layers	4,290,406.96	Reason left over by history
Yongtong building	39,621,850.15	Reason left over by history
The 16th apartment house, Taohua Yuan	1,742,338.80	Reason left over by history
Automobile building	18,363,494.29	Reason left over by history
Floor 1 of business housing, Baoan	1,089,781.89	Reason left over by history
Zhonghe building	5,336,321.37	Reason left over by history
Total	85,115,866.01	

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

15、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
Shuibe Jewelry industrial park	5,554,512.79		5,554,512.79			
Shuibe Jewelry Building	372,606,383.90		372,606,383.90	343,365,313.46		343,365,313.46

Items	Closing balance			Opening balance		
	Book balance	Provision for devaluation	Book value	Book balance	Provision for devaluation	Book value
Total	378,160,896.69		378,160,896.69	343,365,313.46		343,365,313.46

(2) Changes of significant construction in progress

Name	Budget	Opening balance	Increase at this period	Transferred to fixed assets	Other decrease	Closing balance
Shuibe Jewelry Building	433.62 million	343,365,313.46	29,241,070.44			372,606,383.90
Total		343,365,313.46	29,241,070.44			372,606,383.90

(continued)

Name	Proportion (%)	Progress	Capitalization of interest	Including: Current amount of capitalization of interest	Rate of capitalization of interest (%)	Source of funds
Shuibe Jewelry Building	85.93	85.93	16,522,840.38	1,415,874.08	0.36	Capital funds\ Raising funds
Total	85.93	85.93	16,522,840.38	1,415,874.08	0.36	

(3) Provision for devaluation for current year.

There is no provision for devaluation for construction in progress at the end of December 31st, 2017.

16、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				
(1) Purchase				
3、 Decreased at this period				
(1) Disposal				

Items	Land use right	Trademarks	Software	Total
4、Closing balance	56,252,774.80	95,800.00	1,070,185.00	57,418,759.80
II. Accumulated amortization				
1、Opening balance	3,052,194.81	68,924.87	558,521.40	3,679,641.08
2、Increased at this period	1,219,014.84	6,379.96	164,037.00	1,389,431.80
(1)Provision	1,219,014.84	6,379.96	164,037.00	1,389,431.80
3、Decreased at this period				
(1) Disposal				
4、Closing balance	4,271,209.65	75,304.83	722,558.40	5,069,072.88
III. Impairment allowance				
IV. Book value				
1. Closing book value	51,981,565.15	20,495.17	347,626.60	52,349,686.92
2. Opening book value	53,200,579.99	26,875.13	511,663.60	53,739,118.72

Note: The current year amortization is RMB1,389,431.80.

(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.

17、Long-term deferred expenses

Items	Opening balance	Increase in this period	Amortized expenses	Other decrease	Closing balance
Renovation costs	1,437,761.31	1,793,003.00	706,077.49	744,972.88	1,779,713.94
Total	1,437,761.31	1,793,003.00	706,077.49	744,972.88	1,779,713.94

18、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	78,576,678.56
Equity investment variance	14,844,139.31	3,711,034.83	14,844,139.31	3,711,034.83
Unrealized Profit on Transactions with	4,218,604.72	1,054,651.18	4,374,373.52	1,093,593.38

associate Companies				
Total	97,576,115.59	24,394,028.91	97,795,191.39	24,448,797.86

(2) Details of the recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets			930,844.24	232,711.06
Total			930,844.24	232,711.06

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

Items	Closing balance	Opening balance
Deductible temporary difference	92,186,466.78	92,678,295.48
Deductible loss	34,548,078.47	39,164,563.93
Total	126,734,545.25	131,842,859.41

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

Year	Closing balance	Opening balance	Remark
2017		5,875,485.17	
2018	14,595,474.27	15,020,960.85	
2019	14,499,089.58	14,499,089.58	
2020	505,862.23	507,700.61	
2021	1,842,637.49	3,261,327.72	
2022	3,105,014.90		
Total	34,548,078.47	39,164,563.93	

19、Other non-current assets

Items	Closing balance	Opening balance
Prepayment for construction	573,661.62	
Others	100,000.00	100,000.00
Total	673,661.62	100,000.00

20、Provision for asset impairment

Items	Opening balance	Increased	Decreased		Closing balance
			Reversal	Resell	
I.Bad debt provision	104,689,834.51	491,678.44	217,042.37	63,307.00	104,901,163.58
II. Provision for impairment of held-to-maturity investments	20,000.00				20,000.00
III.Provision for decline in value of inventories	29,635,652.58	88,597.87		855,062.64	28,869,187.81
IV.Provision for impairment of long-term investments	23,300,406.04				23,300,406.04
V.Provision for impairment of fixed assets	5,482,840.91				5,482,840.91
VI.Provision for impairment of available-for-sale financial assets	8,126,240.00				8,126,240.00
Total	171,254,974.04	580,276.31	217,042.37	918,369.64	170,699,838.34

21、Short-term loan

(1) Categories of short-term loans

Items	Closing balance	Opening balance
Fiduciary loan	120,000,000.00	50,000,000.00
Total	120,000,000.00	50,000,000.00

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

22、Accounts payable

(1) Accounts payable

Items	Closing balance	Opening balance
Accounts payable	28,032,708.69	23,599,227.33
Total	28,032,708.69	23,599,227.33

(2) 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	

23、Advances from customers

Aging	Closing balance	Opening balance
Within 1 year	10,035,943.26	10,872,120.44
1 to 2 years	2,699,525.20	345,811.38
2 to 3 years	345,811.38	
Over 3 years	708,739.63	712,561.20
Total	13,790,019.47	11,930,493.02

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.

24、 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	25,209,472.43	51,206,336.49	54,973,562.35	21,442,246.57
II. Post-employment benefit-defined benefit plans	1,935,158.75	7,458,833.59	7,665,084.38	1,728,907.96
III. Termination benefits		612,543.50	612,543.50	
IV. Other longterm employee benefits with one year				
Total	27,144,631.18	59,277,713.58	63,251,190.23	23,171,154.53

(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	22,876,175.76	42,930,714.46	46,581,199.35	19,225,690.87
II. Employee welfare		1,033,926.39	1,033,926.39	
III. Social insurance premium	8,030.90	2,488,658.19	2,486,323.27	10,365.82
Including: medical insurance premium	7,002.85	2,193,546.57	2,191,369.68	9,179.74
Industries insurance premium	456.99	130,269.22	130,212.49	513.72

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance
Maternity insurance premium	571.06	164,842.40	164,741.10	672.36
V. Housing fund	2,094,682.39	3,478,351.68	3,537,753.46	2,035,280.61
VI. Union expenses and employee education expenditure	230,583.38	1,274,685.77	1,334,359.88	170,909.27
VI. Short-term paid absence				
VII. Short-term profit share plan				
VIII. Others				
Total	25,209,472.43	51,206,336.49	54,973,562.35	21,442,246.57

(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	143,967.68	5,917,994.03	5,928,800.09	133,161.62
II. Unemployment insurance premium	1,133.94	120,034.58	119,899.80	1,268.72
III. Company annuity payment	1,790,057.13	1,420,804.98	1,616,384.49	1,594,477.62
Total	1,935,158.75	7,458,833.59	7,665,084.38	1,728,907.96

25、Taxes payable

Items	Closing balance	Opening balance
VAT	502,040.39	979,259.98
Enterprise income tax	2,319,674.83	1,951,517.14
Individual income tax	286,741.01	260,584.17
Urban construction and maintenance tax	155,053.76	179,827.99
Property tax	897,951.76	864,954.73
Land VAT	5,362,682.64	5,362,682.64
Land tax	123,484.44	241,516.81
Education surcharge	152,004.54	168,983.23
Stamp tax	62,434.50	72,351.91
Others	65,504.40	
Total	9,927,572.27	10,081,678.60

26、Interest payable

Items	Closing balance	Opening balance
Interest on short-term borrowings	165,604.16	66,458.33
Interest payable on maturity debt due to maturity	63,890.56	11,368.00
Total	229,494.72	77,826.33

27、Other payables**(1) Other payables by categories**

Items	Closing balance	Opening balance
Related parties transactions and loan、 interest	58,367,438.13	56,774,469.90
Deposit、 security bond	16,365,292.81	16,252,470.66
Others	78,367,179.55	53,018,913.98
Total	153,099,910.49	126,045,854.54

(2) Significant other payables which aged over one year

Items	Closing balance	The reason for not repaid or carried forward
Shenzhen Tefa Group Co.,Ltd.	50,539,955.05	There are no expire date settled by the holding company
Total	50,539,955.05	

28、 Long-term borrowings

Items	Closing balance	Opening balance
Mortgaged loan	38,600,000.00	12,000,000.00
Total	38,600,000.00	12,000,000.00

29、 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

30、 Accrued liabilities

Items	Closing balance	Opening balance
Pending actions		1,192,618.90
Total		1,192,618.90

31、Other non-current liabilities

Items	Closing balance	Opening balance
Deferred income *	14,520,000.00	14,239,537.48
Total	14,520,000.00	14,239,537.48

Note*: Deferred income of the Company is rent received in advance of Shuibe Jewelry Building, which is subsequently measured at amortized cost using the effective interest method.

32、Share capital

Items	Opening balance	Changes for the period (+ -)					Closing balance
		New issue	Bonus issue	Capitalization of public reserve	Other	Subtotal	
Restricted tradable shares							
1.State-owned shares							
2. State-owned legal person shares	6,000,000						6,000,000
3.Other domestic-owned shares							
Including: Domestic legalperson wnership	71,000,000						71,000,000
Domestic nature person							
4. Foreign-owned shares							
Including: Foreign legalperson ownership							
Foreign nature person							
Total restricted tradable shares	77,000,000						77,000,000
II、Tradable shares							
1. Ordinary shares	193,881,600						193,881,600

Items	Opening balance	Changes for the period (+ -)					Closing balance
		New issue	Bonus issue	Capitalization of public reserve	Other	Subtotal	
denominated in RMB							
2. Foreign-owned shares listed domestically	26,400,000						26,400,000
3. Foreign-owned shares listed overseas							
4. Others							
Total tradable shares	220,281,600						220,281,600
III、 Total shares	297,281,600						297,281,600

33、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	4,647,832.16	1,033,669.00		5,681,501.16
Total	564,192,605.51	1,033,669.00		565,226,274.51

34、Surplus reserve

Items	Opening balance	Increased in this period	Decreased in this period	Closing balance
Statutory surplus reserve	2,952,586.32			2,952,586.32
Total	2,952,586.32			2,952,586.32

35、Undistributed profit

Items	Current period	Previous period
Before adjustment: Undistributed profits at the end of prior year	30,935,823.12	3,742,260.49
Adjustment: Total undistributed profits at beginning of year (Increase +, decrease -)		
After adjustment: Undistributed profits at beginning of year	30,935,823.12	3,742,260.49
Add: Net profit attributable to shareholders of the parent	66,862,772.68	27,193,562.63
Less: Appropriation to statutory surplus reserve		
Appropriation to discretionary surplus reserve		

Items	Current period	Previous period
Appropriation to common risk provision		
Common stock dividend payable		
Common stock dividends converted to shares		
Retained profits at the period end	97,798,595.80	30,935,823.12

36、Operating Revenues and Operating Costs

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	339,883,476.08	251,553,114.95	316,404,722.99	226,210,269.82
Other operating activities	7,353,813.72	2,701,845.70	7,836,118.91	2,832,579.81
Total	347,237,289.80	254,254,960.65	324,240,841.90	229,042,849.63

37、Taxes and surcharges

Items	Amount of current period	Amount of previous period
Business tax		1,657,980.71
City construction and maintenance tax	729,864.63	825,698.86
Education surcharges	510,822.53	577,748.71
Land tax	497,236.36	474,491.90
Property tax	1,488,204.94	5,098,228.48
Stamp tax	208,932.59	135,589.11
Others	203,393.32	2,310.00
Total	3,638,454.37	8,772,047.77

38、Selling and distribution expenses

Items	Current period	Previous period
Employment benefits	10,546,913.38	11,089,565.59
Advertisement	1,147,158.13	434,329.39
Depreciation	968,936.09	826,067.67
Office expenses	826,075.39	985,403.14

Items	Current period	Previous period
Water and electricity fee	444,640.83	522,463.42
Travel expenses	300,686.39	558,536.32
Others	2,255,969.50	2,240,308.96
Total	16,490,379.71	16,656,674.49

39、Administration expenses

Items	Current period	Previous period
Staff cost	25,843,768.29	29,870,747.79
Taxes and fees		932,933.04
Office expenses	2,273,112.45	2,677,198.76
Travel expenses	1,163,867.36	1,832,190.40
Entertainment expenses	776,245.62	811,691.39
Depreciation and amortization	1,828,593.64	1,705,301.77
Consultation and service fee	2,063,764.41	1,792,048.80
Others	2,785,931.82	2,824,639.54
Total	36,735,283.59	42,446,751.49

40、Financial expenses

Items	Current period	Previous period
Interest expenses	5,605,718.38	4,344,016.18
Less: Interest income	2,776,945.85	4,342,149.21
Less: Interest capitalized	1,415,874.08	981,549.44
Exchange difference	-170,406.06	153,927.41
Others	277,676.47	319,794.09
Total	1,520,168.86	-505,960.97

41、Loss of assets impairment

Items	Current period	Previous period
Loss of bad debts	274,636.07	347,483.42
Loss of inventory valuation	88,597.87	779,409.79

Items	Current period	Previous period
Total	363,233.94	1,126,893.21

42、Investment income

Items	Current period	Previous period
Investment income from long-term equity investments under the cost method	547,184.35	
Investment income from long-term equity investments under the equity method	21,297,772.09	1,182,675.73
Investment income from disposal of long-term equity investments	5,279,153.36	
Investment income from holding financial products	6,606,218.86	3,916,317.84
Investment income from available-for-sale financial assets	-130,468.57	
Total	33,599,860.09	5,098,993.57

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	68,314.27	374,583.14
Total	374,583.14	68,314.27	374,583.14

44、Other income

Items	Current period	Previous period	Non-recurring gain or loss
Maternity allowance	25,753.22		25,753.22
Total	25,753.22		25,753.22

45、Non-operating income

Items	Current period	Previous period	Non-recurring gain or loss
Gain from writing off the unnecessary payment	232,077.95		232,077.95
Others	493,440.12	32,237.30	493,440.12
Total	725,518.07	32,237.30	725,518.07

46、Non-operation expenses

Items	Current period	Previous period	Non-recurring gain or loss
Loss on scrap of non-current assets	29,444.35	120,004.34	29,444.35
Others	5,675.96	1,295,796.73	5,675.96
Total	35,120.31	1,415,801.07	35,120.31

47、Income tax expenses**(1) Income tax expenses**

Items	Amount of current period	Amount of previous period
Current income tax	3,687,877.38	3,145,622.73
Deferred income tax	-193,768.86	-205,728.61
Adjustment of previous income tax	-350,274.34	-72,496.31
Total	3,143,834.18	2,867,397.81

(2) Reconciliation of income tax expenses to the accounting profit is as follows

Items	Amount of current period
Profit before tax	68,925,402.89
Income tax calculated at applicable tax rates	17,231,350.72
Impact of various tax rates applicable to subsidiaries	48.53
Adjusted income tax of prior year	-350,207.55
Impact of non-taxable income	
Impact of non-deductible cost, expense and loss	-6,799,224.18
Impact of deductible losses deferred income tax assets unconfirmed in the previous use period	-737,861.74
Impact of the deductible temporary differences or deductible loss of unconfirmed deferred tax assets of this year.	-6,200,271.59
Changes of the deferred tax assets/liability caused by the adjustment of tax rate	
Income taxes	3,143,834.18

48、Notes to items in the cash flow statements**(1) Cash receipts related to other operating activities**

Items	Current period	Previous period
Intercourse funds	6,641,288.62	7,814,292.31
Interest income	2,776,945.85	4,342,149.21
Total	9,418,234.47	12,156,441.52

(2) Cash paid relating to other operating activities

Items	Current period	Previous period
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Items	Current period	Previous period
Cash paid to general and administrative expenses	27,207,903.46	26,369,109.90
Intercourse funds and others	23,901,361.04	7,432,759.18
Total	51,109,264.50	33,801,869.08

(3) Cash received relating to other investing activities

Items	Current period	Previous period
Receipt of equity transfer deposit	40,000,000.00	
Total	40,000,000.00	

49、Supplementary information to the cash flow statement**(1) Supplementary information to the cash flow statement**

Items	Current period	Previous period
1、Adjusting net profit to cash flow from operating activities		
Net profit	65,781,568.71	27,617,932.54
Add: Impairment loss provision of assets	363,233.94	1,126,893.21
Depreciation of fixed assets, oil and gas assets and consumable biological assets	12,873,230.19	13,139,540.29
Amortization of intangible assets	273,988.12	231,561.97
Amortization of Long-term deferred expenses	706,077.49	585,928.04
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets (gain as in "-")	-374,583.14	51,690.07
Loss on scrap of fixed assets (gain as in "-")	29,444.35	
Loss on fair value changes (gain as in "-")		
Financial cost (gain as in "-")	4,151,985.16	3,516,394.15
Loss on investment (gain as in "-")	-33,599,860.09	-5,098,993.57
Decreased in deferred income tax assets (increase as in "-")	38,942.20	39,645.45
Increased of deferred income tax liabilities (increase as in "-")	-232,711.06	-245,374.06
Decreased of inventories (increase as in "-")	-840,846.76	4,433,164.96
Decreased of operating receivables (increase as in "-")	-41,562,369.89	-7,688,513.15

Items	Current period	Previous period
Increased of operating Payable (decrease as in "-")	-9,701,167.27	20,165,064.42
Others		
Net cash flows from operating activities	-2,093,068.05	57,874,934.32
2、 Significant investment and financing activities that without cash flows :		
Debt-to-capital conversion		
Convertible loan due within 1 year		
Fixed assets acquired under financial lease		
3、 Movement of cash and cash equivalents:		
Ending balance of cash	141,793,218.56	178,497,640.10
Less: Beginning balance of cash equivalents	178,497,640.10	99,184,710.93
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	-36,704,421.54	79,312,929.17

(2) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	141,793,218.56	178,497,640.10
Including: Cash on hand	119,576.83	96,167.91
Bank deposits	141,673,641.73	178,401,472.19
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	141,793,218.56	178,497,640.10
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.

50、 Ownership or use-right restricted assets

Items	Book value at the end of this period	Reason of restriction
Monetary asstes	20,000,000.00	Note VI-1

Items	Book value at the end of thisperiod	Reason of restriction
Intangible assets	50,194,963.68	
Long-term equity investment	84,114,516.50	Note IX-5(2)
Total	154,309,480.18	

Note: 1. In June 24th, 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 24th, 2014 to June 23rd, 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 RMB38,600,000.00.

51、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	6.5342	5,593.28

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 Tefa Tellus Property Management Co., Ltd. signed a termination agreement with Shenzhen Tefa Property Management Co., Ltd. on 31 May 2017. The company withdrew RMB 14,150,000.00 which was no less than book value of net asset audited on 31 May 2017.

5、Changes in consolidation scope due to other reasons

There is a new subsidiary corporation called Sichuan Tellus Jewelry Technology co., LTD established on July 3rd 2017 which invested by the Company, Chengdu Ruihang Jewelry Co. Ltd., Chengdu Caizhiyuan Jewelry Co., Ltd., Chengdu Kaixin Industrial Co., Ltd. and Sichuan Baoxie Business Management Co., Ltd. The social credit

code is 91510106MA6DDULT3C on its business license.

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 Xinyongtong Automobile Development Co.,Ltd.	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Dongchang Yongtong Automobile Inspection Co.,Ltd.	Shenzhen	Shenzhen	Service		95.00	Establish/Investment
Shenzhen Xinyongtong Dongxiao Automobile Inspection Equipment 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 Real Estate Exchange Co., Ltd	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 services Co.,Ltd.	Shenzhen	Shenzhen	Business	60.00		Establish/Investment

Names	Main operating place	Registration place	Nature of business	Proportion of shareholding (%)		Ways of acquisition
				Directly	Indirectly	
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
SichuanTellus 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 9th, 1993 to September 21st, 1998, and the operating period of Shenzhen Nanfang Automobile Repairing center was from July 12th, 1994 to July 11th. 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) 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%	1,171,906.90		-562,191.85
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	40%	54,832.21		11,553,341.91

(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	48,902,736.46	1,164,059.81	50,066,796.27	51,472,275.89		51,472,275.89

Names of the subsidiary	Closing balance					
services Co.,Ltd.						
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

(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.	40,898,136.14	1,571,594.67	42,469,730.81	46,804,977.69		46,804,977.69
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	42,822,752.85	31,691,585.09	74,514,337.94	45,100,864.92	667,198.80	45,768,063.72

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 services Co.,Ltd.	194,934,139.85	2,929,767.26	2,929,767.26	7,385,474.75	192,287,794.93	2,573,764.62	2,573,764.62	8,918,363.51
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	36,550,379.42	137,080.56	137,080.56	3,323,405.53	37,018,805.77	-1,780,393.92	-1,780,393.92	2,922,584.44

(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	390,613,571.00	685,184,923.52	380,939,942.00	433,147,120.64
Fixed assets	23,214,032.00	241,719,824.00	22,120,081.00	154,874,554.92
Total assets	413,827,603.00	926,904,747.52	403,060,023.00	588,021,675.56
Current liabilities	173,500,413.00	708,700,096.37	186,730,078.00	376,098,044.69
Non-current liabilities		60,436,348.10		68,990,352.65
Total liabilities	173,500,413.00	769,136,444.47	186,730,078.00	445,088,397.34
Equity of minority shareholders		-1,945,407.03		1,027,646.31

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.
Shareholders' equity of the company	240,327,190.00	159,713,710.08	216,329,945.00	141,905,631.91
Net assets calculated by shareholding proportion	84,114,516.50	39,928,427.51	75,715,480.75	35,476,407.97
Adjustment				
—Goodwill				
—Unrealized profit of internal transaction				
—Others				
The book value of investment in associated company	84,114,516.50	39,928,427.51	75,715,480.75	35,476,407.97
The fair value of the equity investment in associated company which have open quotation in market				
Operating revenue	1,246,685,891.00	708,394,340.47	1,096,050,124.00	573,229,481.00
Net profit	49,997,245.00	16,335,024.83	26,479,750.00	-22,704,239.56
Net profit gain from the termination of operation				
Other comprehensive income				
Total comprehensive income	49,997,245.00	16,335,024.83	26,479,750.00	-22,704,239.56
Dividends received from associated company this period	9,100,000.00		6,300,000.00	11,720,379.82

(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	45,981,179.66	28,920,938.79
Including: Cash & Cash Equivalents	14,656,470.18	18,429,108.04
Fixed assets	388,901,782.46	422,125,153.92
Total assets	434,882,962.12	451,046,092.71
Current liabilities	38,394,408.48	55,664,266.08
Non-current liabilities	284,000,000.00	281,020,000.00
Total liabilities	322,394,408.48	336,684,266.08
Equity of minority shareholders		
Shareholders' equity of the Company	112,488,553.64	114,361,826.63
Net assets calculated by shareholding proportion	56,244,276.84	57,180,913.32
Adjustment		
—Goodwill		
—Unrealized profit of internal transaction		
—Others		
Book value of investment in joint ventures	56,244,276.84	57,180,913.32
Fair value of the equity investment in joint ventures which have open quotation in market		
Operating revenue	53,060,351.06	5,059,107.47
Financial expense	19,353,675.76	3,519,025.96

Items	Shenzhen Tellus Jimeng investment Co.,Ltd.	
	Closing balance/Current period	Opening balance/Previous period
Income tax		
Net profit	-1,873,272.99	-5,237,564.80
Net profit gain from the termination of operation		
Other comprehensive income		
Total comprehensive income	-1,873,272.99	-5,237,564.80
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	10,863,393.76	10,583,444.89
Total amount of the pro rata calculation of the following items		
—Net profit	124,180.08	179,240.38
—Other Comprehensive income		
—Total comprehensive income	124,180.08	179,240.38
Associated enterprises:		
Total book value of investment	93,314,134.54	24,677,061.13
Total amount of the pro rata calculation of the following items		
—Net profit	-277,670.68	-39,125.60
—Other Comprehensive income		
—Total comprehensive income	-277,670.68	-39,125.60

(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	97,868.99	235.53	98,104.52

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
Co.,Ltd.			
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	758,585.00	298,994.35	1,057,579.35
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd.	381,557.52	-160,420.73	221,136.79

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 Tefa Group Co.,Ltd.	Shenzhen	Real estate development and management, domestic commerce	2,582.82 million	49.09	49.09

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 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) Lease

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	5,047,618.84
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	Houses leasing	545,923.80	434,474.37
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	Houses leasing	396,904.78	310,076.20

(2) Guarantee between related parties

①The Company as guarantor

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 The 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.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 Yueliang Xiao etc. The guaranteed amount is RMB 45 million.

(3) Offering services by employ associated parties

Shenzhen Zhongtian Industrial Co., Ltd. chose monitor and management institute of Tellus Shuibei Project through an open bidding process. In 14th May, 2013, Shenzhen Tefa Development Center Construction Management Co., Ltd. was qualified by obtained the letter of acceptance from Shenzhen Construction Engineering Trading Center (No.20130514002C).

Shenzhen Zhongtian Industrial Co., Ltd. and Shenzhen Tefa Development Center Construction Management Co., Ltd. signed the monitor and management contract of Tellus Shuibei Jewelry Building Project in May of 2013. In accordance with the contract, entrusted fee is RMB 5,041.90 thousand. At the end of this reporting period, RMB 4,757.20 thousand of and entrusted fee had been paid.

Shenzhen Zhongtian Industrial Co., Ltd. and Shenzhen Tefa Tellus Property Management Co., Ltd. signed a supplementary contract about property management services for the phase I of Tellus Shuibei Jewelry Building. At the end of this reporting period, RMB 744.70 thousand early stage property management fee had been paid.

(4) Fees for funds occupation of related parties

Related parties	Content	Amount of current period	Amount of previous period
Borrowing:			
Shenzhen Tefa Group Co.,Ltd.	Fees for funds occupation	928,296.36	3,206,502.33
Lending:			
Shenzhen Xing Long Mechanical Models Co.,Ltd.	Fees for funds occupation	76,041.64	76,346.64

(5) Related party's assets transfer and debt reorganization

Related parties	Content	Amount of current period	Amount of previous period
Shenzhen Tefa Tellus Property Management Co., Ltd.	100% ownership of Shenzhen Tefa Tellus Property Management Co., Ltd	14,150,000.00	

(6) 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	634.00	640.00

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.	1,359,506.00	927,602.00	960,731.00	927,602.00
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.	997,200.00	680,400.00	704,700.00	680,400.00
Total	2,356,706.00	1,608,002.00	1,665,431.00	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	116,480.22	58,240.11
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd	529,111.24	529,111.24	522,398.47	522,398.47
Shenzhen Pilot New Chemical Materials Co.,Ltd.	660,790.09	660,790.09	660,790.09	660,790.09
Shenzhen Xing Long Mechanical Models Co.,Ltd.	2,262,724.58	1,036,172.99	2,186,682.94	998,136.92
Shenzhen Tellus Xinyongtong Automobile Service Co.,Ltd.	114,776.33	114,776.33	114,776.33	114,776.33
Total	5,043,179.46	3,758,387.76	4,960,425.05	3,713,638.92
Dvidend receivable				
Shenzhen Tefa Tellus Property Management Co., Ltd.	232,683.74			
Total	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

Names	Closing balance	Opening balance
Shenzhen Tefa Tellus Property Management Co., Ltd.	279,793.26	
Total	6,379,948.72	6,100,155.46
Other payables:		
Shenzhen Tefa Real Estate Co., Ltd.	335,701.34	335,701.34
Hongkong Yujia Investment Co., Ltd.	2,009,360.35	2,171,300.16
Shenzhen Tefa Swan Enterprise Co.,Ltd.	20,703.25	20,703.25
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	1,554,196.80	1,576,424.94
Shenzhen Tefa Group Co.,Ltd.	51,122,660.84	50,645,612.05
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
Shenzhen Xing Long Mechanical Models Co.,Ltd.	78,515.56	78,515.56
Shenzhen Tellus Xinyongtong Technoledge Co., Ltd.	320,000.00	320,000.00
Shenzhen Tellus Xing Investment Co.,Ltd.		29,912.61
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd.	24,340.00	24,340.00
Anhui Jinzun Jewellery Co., Ltd.	1,330,000.00	
Total	58,367,438.13	56,774,469.90

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	100,505,887.53	126,313,353.45
Total	100,505,887.53	126,313,353.45

2、Contingency

(1) Lawsuits

① In 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 29th 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.

② Shenzhen 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 m² 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 m² of Yelihui Food Street, and the residual part belong to Jinlu Company. If the Food Street is less than 6,000 m², 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' 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.

③ In 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 verdiction. Then the China Citic Bank Co., Ltd., apply enforcement, token back RMB 561,398.30, there are no more other assets to execut, Shenzhen Futian People's Court verdict Termination of execution by Shen Fu Fa "zhi" Zi NO.102 in December 10, 1998. The original debt to the China Citic Bank Co., Ltd, transfered 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.

④ Guangming 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".

⑤ In October 2010, Shenzhen Futian District Construction Bureau sent Doc. SFJJJ 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.

⑥ Shenzhen 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 m² 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 2nd,2018, 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.

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 2017

Items	Automobile sales	Vehicle inspection &Components sales	Leasing and services	Jewellery sales	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	339,883,476.08
Principal operating cost	141,236,154.23	65,753,628.39	37,281,610.86	38,718,354.34	-31,436,632.87	251,553,114.95
Total assets	32,681,904.29	97,711,493.10	2,150,019,964.74	60,842,941.31	-937,941,709.02	1,403,314,594.42
Total liabilities	43,416,707.60	59,498,814.63	682,141,153.33	4,660,481.26	-384,426,136.29	405,291,020.53

Year 2016

Items	Automobile sales	Vehicle inspection & components sales	Leasing and services	Inter-segment elimination	Total
Principal operating income	138,702,514.96	69,295,094.17	130,770,846.12	-22,363,732.26	316,404,722.99

Items	Automobile sales	Vehicle inspection& components sales	Leasing and services	Inter-segment elimination	Total
Principal operating cost	133,056,820.98	54,860,897.42	57,714,860.65	-19,422,309.23	226,210,269.82
Total assets	32,095,959.76	91,408,343.70	1,979,830,340.27	-914,333,568.75	1,189,001,074.98
Total liabilities	44,375,604.11	54,717,672.01	569,137,458.70	-387,765,996.02	280,464,738.80

5、Other matters

On July 20th 2017, the Company, Shenzhen Runhe investment development Co., Ltd. ("Runhe"), Shenzhen Xing Long Mechanical Models Co., Ltd., ("Xinglong") Shenzhen Yuyu Investment Development Co., Ltd. had signed an agreement. Runhe promised to participate in open bid for 30% ownership of Xinglong under the condition if the ownership was sold to the public or in the agreement. The open bid price made by Runhe could be high than 2 billion. Runhe was willing to put RMB 4 million as a security deposit for the deal. At the same time, Runhe promised that if the company is transferred the Xinglong's ownership of Harbin First Machinery Group Co., Ltd, Runhe was willing to purchase the ownership of Xinglong at the same price. In the agreement, all parties only accepted the invitation of ownership transferring made by Run, but had not made a decision yet, which did not lead to a share transfer outcome. Up to the December 31st 2017, the Company has received the RMB 4 million deposit.

In September 2017, the company completed the share transfer deal, adding up to 43% ownership of Xinglong. Pursuant to the resolution of Board at the Board of Directors' meeting on December 12th 2017, the Company planed to sell 43% ownership publicly and would not have any stake in Xinglong. As of the report date, the work of listing is still in progress.

XIII、Notes of main items in financial reports of the company

1、Accounts receivable

(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					
Accounts receivable of individual insignificance but subject to	484,803.08	100.00	484,803.08	100.00	

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
individual impairment assessment					
Total	484,803.08	100.00	484,803.08	100.00	

(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	

2、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	12,247,785.36	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

(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	12,262,363.72	10.72	12,262,363.72	100.00	
Other receivable subject to impairment assessment by credit risk characteristics of portfolio	100,230,803.79	87.65	1,231,153.76	1.23	98,999,650.03
Other receivable of individual insignificance but subject to individual impairment assessment	1,858,735.58	1.63	1,858,735.58	100.00	
Total	114,351,903.09	100.00	15,352,253.06	13.43	98,999,650.03

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
Shenzhen Petrochemical Industry (Group) Co., Ltd.	1,904,156.18	1,904,156.18	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	12,247,785.36	12,247,785.36		

② In 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	97,003,542.42		
1 to 2 years	76,346.64	3,817.33	5.00
2 to 3 years	261,958.19	52,391.64	20.00
Over 3 years	2,071,056.24	1,035,528.12	50.00

Aging	Closing balance		
	Other receivable	Bad debt provision	Proportion (%)
Total	99,412,903.49	1,091,737.09	1.10

(2) The amount of bad debt provision during the current year is RMB178,762.83.

(3) Other receivables classified by nature

Nature	Closing balance	Opening balance
Internal current account	96,526,430.14	97,287,270.49
Unit account	2,923,514.67	2,883,953.25
Others	14,044,711.82	14,180,679.35
Total	113,494,656.63	114,351,903.09

(4) 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	4.41	5,000,000.00
Jinbeili Electrical Appliances Co.,Ltd.	Unit account	2,706,983.51	Over 3 years	2.39	2,706,983.51
Shenzhen Petrochemical Industry (Group) Co., Ltd.	Unit account	1,904,156.18	Over 3 years	1.68	1,904,156.18
Huatong Casing Co.,Ltd.	Unit account	1,212,373.79	Over 3 years	1.07	1,212,373.79
Others_VAT (Trade department)	Unit account	763,481.79	Over 3 years	0.67	763,481.79
Total		11,586,995.27		10.22	11,586,995.27

(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
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	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment to the subsidiaries	555,771,572.73	1,956,000.00	553,815,572.73	528,823,572.73	1,956,000.00	526,867,572.73
Investment to joint ventures/as-associated enterprises	245,802,348.25	9,787,162.32	236,015,185.93	169,145,256.02	9,787,162.32	159,358,093.70
Total	801,573,920.98	11,743,162.32	789,830,758.66	697,968,828.75	11,743,162.32	686,225,666.43

(2) Investment to the subsidiaries

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 Tefa Tellus Property Management Co., Ltd.	7,050,000.00		7,050,000.00			
Shenzhen Tellus Xinyongtong Automobile Development Co.,Ltd.	57,672,885.22			57,672,885.22		
Shenzhen Zhongtian Industrial Co.,Ltd	270,708,622.90			270,708,622.90		
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 Huari Toyota	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
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	1,000,000.00	3,998,000.00		4,998,000.00		
SichuanTellus Jewelry Technology co., LTD		30,000,000.00		30,000,000.00		
Total	528,823,572.73	33,998,000.00	7,050,000.00	555,771,572.73		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 balance	Increased /Decreased in reporting period				
		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.	57,180,913.33			-936,636.49		
Shenzhen Tellus Xing Investment Co.,Ltd.	10,583,444.88			279,948.88		
Subtotal	67,764,358.21			-656,687.61		
II. Associated enterprises						
Shenzhen Xing Long Mechanical Model Co.,Ltd.	15,878,254.74	67,600,000.00		281,075.09		1,033,669.00
Shenzhen Tellus Automobile Service Development Co.,Ltd.						
Shenzhen Ren Fu-Tellus Automotive Service	75,715,480.75			17,499,035.75		

Names	Opening balance	Increased /Decreased in reporting period				
		Increased	Decreased	Gain/Loss of investment under equity method	Adjustment of other comprehensive income	Other equity changes
Co.,Ltd.						
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	101,380,897.81	67,600,000.00		17,780,110.84		1,033,669.00
Total	169,145,256.02	67,600,000.00		17,123,423.23		1,033,669.00

(continued)

Names	Increased /Decreased in reporting period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
I. Joint ventures					
Shenzhen Tellus Jimeng Investment Co.,Ltd.				56,244,276.84	
Shenzhen Tellus Xing Investment Co.,Ltd.				10,863,393.76	
Subtotal				67,107,670.60	
II. Associated enterprises					
Shenzhen Xing Long Mechanical Model Co.,Ltd.				84,792,998.83	
Shenzhen Tellus Automobile Service Development Co.,Ltd.					
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	9,100,000.00			84,114,516.50	
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

Names	Increased /Decreased in reporting period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
Shenzhen Pilot New Chemical Materials Co.,Ltd.*				4,751,621.62	4,751,621.62
Subtotal	9,100,000.00			178,694,677.65	9,787,162.32
Total	9,100,000.00			245,802,348.25	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	44,035,720.63	3,662,936.04	42,675,858.14	3,596,474.49
Total	44,035,720.63	3,662,936.04	42,675,858.14	3,596,474.49

5、Investment Income

Items	Current year	Previous year
Income from long-term equity investment measured by cost method	547,184.35	6,582,176.54
Income from long-term equity investment measured by adopting the equity method	17,123,423.23	6,984,139.28
Investment income received from holding of held-to-maturity investment	7,332,683.74	
Income from financial products	6,046,686.15	3,754,547.99
Total	31,049,977.47	17,320,863.81

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	5,523,267.93	
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	25,753.22	

Items	Amount	Description
eligible for automatic renewal in accordance with relevant regulations		
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	6,606,218.86	
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, 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		
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	15,000.00	
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	690,397.76	
Other profit or loss that meets the definition of non-recurring profit or loss		
Subtotal	12,936,679.41	

Items	Amount	Description
Tax effects	59,964.10	
Effects attributable to minority interests (after tax)	445,010.10	
Total	12,431,705.21	

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 average net profit (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders	7.1989	0.2249	0.2249
Recurring profit or loss attributable to ordinary shareholders	5.8604	0.1831	0.1831

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 2017 carrying the signatures and seals of the legal representative, general manager, 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).