

The logo for TELLUS, featuring the word "TELLUS" in a bold, sans-serif font. The letter "L" is colored orange, while the other letters are blue.

**深圳市特力（集团）股份有限公司**  
**SHENZHEN TELLUS HOLDING CO.,LTD**

**Full Text of Semi-Annual Report 2011**

**12 August 2011**

---

## CONTENTS

<i>Section I. IMPORTANT NOTICE</i>	<i>01</i>
<i>Section II. CORPORATE BASIC INFORMATION</i>	<i>01</i>
<i>Section III. CHANGES IN SHARE CAPITAL AND MAJOR SHAREHOLDERS' SHAREHOLDING</i>	<i>04</i>
<i>Section IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT</i>	<i>06</i>
<i>Section V. THE BOARD OF DIRECTORS' REPORT</i>	<i>07</i>
<i>Section VI. SIGNIFICANT EVENTS</i>	<i>12</i>
<i>Section VII. FINANCIAL REPORT (UN-AUDITED)</i>	<i>19</i>
<i>Section VIII. DOCUMENTS AVAILABLE FOR REFERENCE</i>	<i>83</i>

## **Section I. IMPOTANT NOTICE**

**Board of Directors, Supervisory Committee of Shenzhen Tellus Holdings Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior management hereby confirm that there are no fictitious records, misleading statements or material omissions carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completion of the contents.**

**Totaling 9 directors of the Board attended the Meeting.**

**Mr. Zhang Ruili—Chairman of the Board, Mr. Fu Bin—CFO and Ms. Ke Wensheng—Manager of the Accounting and Financial Department hereby confirm that the Financial Report in the Semiannual Report is true and complete.  
The Semi-annual Financial Report was not audited.**

## **Section II. CORPORATE BASIC INFORAMTION**

### **I. Company profile**

1. Corporate Name: 深圳市特力(集团)股份有限公司

English Name: Shenzhen Tellus Holdings Co., Ltd.

English Shortened Name: Tellus

2. Legal Representative: Zhang Ruili

3. Secretary of the Board: Guo Dongri

Address: Shenzhen Tellus Holdings Co., Ltd.

Tel: (0755)83989328

Fax: (0755)83989386

E-mail: guodongri@yahoo.com.cn

Securities Affair Representative: Sun Bolun

Address: Secretariat of Shenzhen Tellus Holdings Co., Ltd.

Tel: (0755)83989339

Fax: (0755)83989386

E-mail: s9239243@163.com

4. Registered Address: 3 Floor of Tellus Building, No. 56 the Second Shuibei Road, Luohu District, Shenzhen

Office Address: 15th Floor of Nucleus Building, Shennan Middle Road, Shenzhen

Postal Code: 518031

Corporate Internet Website: www.tellus.cn

5. Newspapers for Information Disclosure

Mainland: *Securities Times*, Shenzhen

Overseas: *Hong Kong Commercial Daily*, Hong Kong

Internet Website Designated by CSRC for the Company's Semi-Annual Report Publication:

<http://www.cninfo.com.cn>

Preparation Place for the Company's Semi-Annual Report: 15<sup>th</sup> Floor of Nucleus Building, Shennan Middle Road, Shenzhen

6. Exchange for the Company's Shares Listing: Shenzhen Stock Exchange

Stock Shortened Name and Code: Tellus A (000025) Tellus B (200025)

## II. Major financial data and indicators

1. Summary of the Company's main un-audited financial data and indicators in the first half of 2011:

Unit: RMB

Item	Period-end of this term	Period-end of last year	Increase/decrease of period-end of this term over that of last year (%)
Total assets(RMB)	583,375,952.82	599,555,953.28	-2.70%
Owners' equity attributable to shareholders of listed company(RMB)	175,801,254.74	175,274,602.44	0.30%
Share capital(RMB)	220,281,600.00	220,281,600.00	0.00%
Net assets per share attributable to shareholders of listed company (RMB/share)	0.798	0.796	0.25%
Item	Report period (Jan.-Jun.)	Same period of last year	Increase/decrease of this term over same period of last year (%)
Total operating income(RMB)	178,047,165.38	198,323,188.79	-10.22%
Operating profit(RMB)	716,236.75	1,998,124.54	-64.15%
Total profit(RMB)	578,156.59	2,162,918.51	-73.27%
Net profit attributable to shareholders of listed company(RMB)	502,339.55	1,098,680.67	-54.28%
Net profit attributable to shareholders of listed company after deducting non-recurring gain and loss(RMB)	602,711.39	902,428.38	-33.21%
Basic earnings per share (RMB/Share)	0.002	0.005	-60.00%
Diluted earnings per share (RMB/Share)	0.002	0.005	-60.00%
Weighted average ROE (%)	0.29%	0.64%	0.35 percentage points down
Weighted average ROE after deducting non-recurring gains/losses (%)	0.34%	0.53%	0.19percentage points down
Net cash flow arising from operating activities(RMB)	6,776,674.04	-19,733,147.73	134.34%
Net cash flow per share arising from operating activities (RMB/Share)	0.031	-0.090	134.34%

Item and amount of non-recurring gain and loss:

Unit: RMB

<b>Items of non-recurring gains/losses</b>	<b>Amount</b>
Fund occupation charge received from non-financial enterprise that reckoned into current gains/losses	37,708.32
Other non-operating income/expenditure besides the aforementioned items	-138,080.16
Total	-100,371.84

2. There was no substantial difference between statements prepared by Chinese Accounting Standards (“CAS”) and International Financial Reporting Standards (“IFRC”).

## Section III. Changes in Share Capital and Major Shareholders' Shareholding

### I. Changes in Company's Stock

In the Report Period, there were no changes in the Company's stock total and structure.

### II. Total of Company's shareholders

Total of shareholders at Period-end: as at 30 June 2011, total Company's shareholders are 18,892, with A-share holder of 14,813, B-share holders of 4,079.

### III. Shareholding of the top ten shareholders at Period-end

Name of shareholder	Nature of shareholder	Proportion of shareholding (%)	Total of shares held	Amount of restricted stock	Amount of pledged and/or frozen stock
Shenzhen SDG Co., Ltd	State-owned legal person	66.22%	145,870,560	14,597,056	0
Bu Haowen	Domestic natural person	0.29%	643,300	0	Unknown
Ling Fengyuan	Domestic natural person	0.23%	512,858	0	Unknown
Zhuang Yunjiang	Domestic natural person	0.23%	504,800	0	Unknown
FISRT SHANGHAI SECURITIES LTD.	Foreign legal person	0.21%	464,678	0	Unknown
CMB—South Strategy Selected Stock Securities Fund	Funds, financial products and others	0.20%	448,351	0	Unknown
Zhang Xiaoming	Domestic natural person	0.20%	432,760	0	Unknown
Guotai Jun'an Securities Co., Ltd. guarantee securities A/C of client credit transaction	Unknown	0.17%	373,010	0	Unknown
Kan Hui	Domestic natural person	0.16%	360,226	0	Unknown
Gou Bo	Domestic natural person	0.16%	360,199	0	Unknown

Note: there is no affiliation between the top ten shareholders and legal person share holders. From the second to the tenth shareholders, all of them are tradable share holders; and the Company is unaware that whether there is affiliation between the tradable share holders.

### IV. Shareholding of top ten tradable shareholders at Period-end

Name of shareholder	Amount of unrestricted shares held	Type of shares
Shenzhen SDG Co., Ltd.	131,283,504	RMB ordinary shares
Bu Haowen	643,300	Domestically listed foreign shares
Ling Fengyuan	512,858	Domestically listed foreign shares
Zhuang Yunjiang	504,800	RMB ordinary shares
FISRT SHANGHAI SECURITIES LTD.	464,678	Domestically listed foreign shares
CMB—South Strategy Selected Stock Securities Fund	448,351	RMB ordinary shares
Zhang Xiaoming	432,760	RMB ordinary shares
Guotai Jun'an Securities Co., Ltd. guarantee securities A/C of client credit transaction	373,010	RMB ordinary shares
Kan Hui	360,226	RMB ordinary shares
Gou Bo	360,199	RMB ordinary shares

Note: the Company is unaware that whether there is affiliation or concerted action between the top ten tradable share holders.

Shareholding of top ten restricted share holders and reason for restriction

Units: Share

Name of shareholder	Restricted share at Period-beginning	Restricted share released in Period	Restricted share increased in Period	Restricted share at Period-end	Reason for restriction	Date for release
Shenzhen SDG Co., Ltd.	14,587,056	0	0	14,587,056	Relevant specific commitment of Share Merger Reform	
<b>Total</b>	<b>14,587,056</b>	<b>0</b>	<b>0</b>	<b>14,587,056</b>		

#### V. Company's Controlling Shareholders

In the Period, controlling shareholders or actual controller of the Company remains the same.

---

## **Section IV. Directors, Supervisors and Senior Management**

### **I. Changes in Company's directors, supervisors and other senior management**

1. Concerning the Company's former director and General Manager—Mr. Chen Peng's resignation for the post change, the Company held 11<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board on 18 February 2011, and agreed on his resignation and then appointed Mr. Lv Hang as the GM of the Company and nominated as the director candidate for deliberation in Shareholders' General Meeting. Relevant announcement was published in the Securities Times and Hong Kong Commercial Daily dated 19<sup>th</sup> February 2011.

2. The Shareholders' General Meeting of 2010 was held dated 15<sup>th</sup> June 2011 for deliberating and approved the "Proposal of Director Election –Lv Hang". Mr. Lv Hang was elected as the director for 6<sup>th</sup> Session of the Board under the name of the Tellus Group. Relevant announcement was released on Securities Times and Hong Kong Commercial Daily dated 16<sup>th</sup> June 2011.

3. Concerning the Company's former securities representative—Mr. Ju Jiang's resignation for the post change, the Company held 16<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board on 20 July 2011, and agreed on her resignation and then appointed Mr. Sun Bolun as the Representative. Relevant announcement was published in the Securities Times and Hong Kong Commercial Daily dated 21<sup>st</sup> July 2011.

**II. In the Period, there is no change in shareholding of directors, supervisors and other senior management in the Company.**



---

## Section V. THE BOARD OF DIRECTOR'S REPORT

### I. Management Discussion and Analysis

#### (I) Operation Result and Financial Analysis

##### 1. Decrease in operation income

In the report period, operating income of the Company reached 178.0472 million yuan, a y-o-y decrease of 20.276 million yuan with 10.22 percent down. Main reasons for decrease: on one hand, affected by the earthquake in Japan, productivity of FAW Toyota has a downing situation that resulted in a sales decrease for automobile business; on other hand, sales of the imported vehicles has a decrease in selling due to the totally opening-up of imported vehicles from FAW Toyota.

##### 2. Operating cost declining correspondent with the decrease of operating income, decline amplitude larger than the downing amplitude of operating income

In the report period, operating cost of the Company was 144.2033 million yuan, a y-o-y decrease of 20.0564 million yuan with 12.21 percent down. The decline amplitude in operating cost larger than the downing amplitude of operating income due to the strengthen control in cost.

##### 3. Decrease in period expense in Period

Three period expenses totaled 34.7924 million yuan, a y-o-y decrease of 0.2799 million yuan with 0.80 percent down. Among which: sales expense amounting to 10.2544 million yuan, a y-o-y decrease of 0.3047 million yuan with 2.89 percent down mainly due to the downing expenses on salary and advertisement; management expense amounting to 120.2171 million yuan, a y-o-y increase of 0.1455 million yuan with 0.72 percent up mainly due to the increase of housing accumulation fund; financial expense amounting to 4.3209 million yuan, a y-o-y decrease of 0.1207 million yuan with 2.72 percent down mainly due to the decrease of interest rates that arising from principal decreased in borrowing.

##### 4. Year-on-year decrease in profit

In the report period, net profit of the Company approved 0.3711 million yuan with a y-o-y decrease of 1.3399 million yuan; net profit attributable to owners' equity of parent company amounting to 0.5023 million yuan with a y-o-y decrease of 0.5964 million yuan. Profit decrease mainly due to the decrease of operating income together with the execution of the policy of housing accumulation fund.

#### (II) Financial status of the Company

##### 1. Assets

As at 30 June of 2011, total assets of the Company amounting to 583.376 million yuan with 118.6526 million yuan of current assets and 464.7234 million yuan of non-current assets.

##### 2. Liabilities

As at 30 June of 2011, total liabilities of the Company amounting to 383.1827 million yuan with 209.1088 million yuan of current liabilities and 174.0739 million yuan of non-current liabilities.

##### 3. Owner's equity

As at 30 June of 2011, total shareholders equity of the Company amounting to 200.1933 million yuan with 175.8013 million yuan of owners' equity and 24.392 million yuan of minority's equity.

## II. Operating status in the first half of 2011

### (I) General operating status of the Company in report period

Unit: RMB

Item	Report period	Same period of last year	+/- (%)
Operation income	178,047,165.38	198,323,188.79	-10.22%
Operation profit	716,236.75	1,998,124.54	-64.15%
Net profit	502,339.55	1,098,680.67	-54.28%

Main reasons for the decrease of operating profit and net profit: decrease of the operating income and increase of the housing accumulation fund.

### (II) Income from main business classified according to industries

Unit: RMB'0000

According to industries or products	Operation income	Operation cost	Gross profit rate (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross rate (%)
Sales of automobile	10,657.31	10,207.13	4.22%	-14.09%	-13.81%	-0.31%
Automobile maintenance, inspection and parts sales	2,510.05	2,013.76	19.77%	-18.60%	-18.15%	-0.45%
Property lease and service	4,487.92	2,113.80	52.90%	6.63%	3.45%	1.45%
Total	17,655.28	14,334.69	18.81%	-10.37%	-12.31%	1.79%

### (III) Constitution changes of profit in report period

Gross profit has 0.2196 million yuan decreased; investment income got a y-o-y decrease of 0.9408 million yuan; non-operating income has 0.1646 million yuan decreased while non-operating expenditure got an increase of 0.1383 million yuan.

(IV) There is no other operation activity impacting greatly on the Company's operation income in the Period.

(V) Particular about the single stock-jointed enterprises with over 10 percent investment returns on net profit of the Company:

Unit: RMB

Name of company	Proportion of shares held	Main product or service	Net profit
Shenzhen Renfu Tellus Automobile Service Company., Ltd.	35%	Automobile sales, maintenance, exhibition, technology consultation and parts sales	1228.60
Shenzhen Dongfeng Automobile Co., Ltd.	25%	Automobile manufacture and sales	139.88

(VI) Particular about great changes in main items of accounting statements and financial indexes together with their reasons

<b>Item</b>	<b>Amount at period-end</b>	<b>Amount at period-beginning</b>	<b>Increase/decrease amount</b>	<b>Increase/decrease scope</b>	<b>Explanations</b>
Other account receivable	21,095,058.70	13,743,165.24	7,351,893.46	53.5%	Current account increased
Amount paid in advance	7,834,310.63	10,212,371.68	-2,378,061.05	-23.3%	Settlement of automobile payment in advance
Construction in progress	922,279.81	-	922,279.81		Starting construction in the period
Non-current liabilities due within one year	16,440,000.00	8,640,000.00	7,800,000.00	90.3%	long-term borrowings due within one year increased
<b>Item</b>	<b>Amount in this term</b>	<b>Same period of last year</b>	<b>Increase/decrease amount</b>	<b>Increase/decrease scope</b>	<b>Explanations</b>
Non-operating income	21,394.84	185,957.64	-164,562.80	-88.5%	Obtaining income from disposal of fixed assets at same period of last year
Non-operating expenditure	159,475.00	21,163.67	138,311.33	653.5%	Increase of the non-operating expenditure in this term
Income tax	207,019.50	451,955.63	-244,936.13	-54.2%	Decrease of profit
Other consolidated income	24,312.75	-460,971.20	485,283.95	105.3%	Changes of the market value of financial assets available for sale
Net cash flow arising from operating activities	6,776,674.04	-19,733,147.73	26,509,821.77	-134.3%	More payment of current account paid in same period of last year
Net cash flow arising from investment activities	-1,480,669.66	-854,895.15	-625,774.51	73.2%	Increase of construction in progress in the term
Net cash flow arising from financing activities	-14,821,846.68	-3,892,694.28	-10,929,152.40	280.8%	Payment paid for bank loans increased in the period

---

#### (VII) Problems and difficulties in operation

1. Consumption market of automobile was affected by the unfavorable factors of macro policies, property market & stock market, inflation expectation and monetary policies. Sales of the automobile got a slowly growth, automobile inventory has a dramatically increase with enlargement of productivity; capital faced more and more pressures and the consumption market for automobile encounter with the risk of back to low valley for exploitation continuously.
2. Maintenance cost soaring due to the long-term use life of majority property of the Company, surrounding facilities and equipments were getting more and more ancient. Part of the property encounter with the problem of relocation and renewal construction that influenced a lot in the leasing revenue for a long time since recently.
3. Difficulties in lawsuits that left by history. Case of the guarantee for Petrochemical from Tellus Group, being retrial verdict from provincial high court, the case will impact a lot on Group after entering into the execution.

#### (VIII) Operation measures in second half year

1. Enforce the research in automobile consumption market, perfect sales strategy and explore the market aggressively. Seized the opportunity of the recovery of productively from Toyota, new type vehicle launched and market promotion to enlarge the sales. Overcoming the unfavorable impacts of the increase of 4S stores and client resource separation, higher the service quality as well as absorbing more clients by conducting serials preferential activities.
2. Enhance the management in property operation, higher the conscious-ness of service and maintain current lessee for income growth in steady situation. Overall opening of the metro provided a favorable opportunity to higher the rate of renting and rents as well as the rate of account received.
3. Speed up the promotion of key projects for new profit growth point formed as soon as possible. Integrated and distributed the resources reasonable, continuously higher the profitability for profit maximizing through upgrade and reform the self-owned property. Strength the efforts to promoting project of jewelry industrial zone continuously, seized the opportunity of urban renewal reform currently, strive for starting the phase I project as soon as possible after completed the government application procedures.
4. Strength management and service on stock-jointed enterprises and with total supporting provided. Increase the investment profits by higher the economy benefits for stock-jointed enterprise through maximized the environment and co-operated with stock-jointed enterprise for their operating activities.
5. Enhanced overall budget management, refining operation, strictly control every expenditures and lower the cost, increase income and decrease expenditures for improving the economy benefits. Conducting basic regulation works of the internal control enhanced the leadership of risk management, preventing risks for guarantee the healthy and balanced development of the enterprises.
6. Positively deal with the guarantee of Petrochemical and to minimized the losses from the Company as practicable as possible.

### **III. Particular about investment in report period**

- (I) In the Period, there was no raised fund or use of previous fund continuing into the Period.

---

(II) Investment project by non-raised fund in Period

The Company is to reform the existing old industrial plant in Shuibei Industrial Zone, Luohu District, Shenzhen for establishment of Jewelry Industrial Estate of Tellus Group. The project is three-period rolling development. Total of investment in the above project establishment is 266.94 million yuan as rolling periodical input. The pre-phase investment occurred in this period amounting to 0.9223 million yuan. Relevant announcement was released on Securities Times and Hong Kong Wen Wei Po dated 19<sup>th</sup> June 2009 and 27<sup>th</sup> October 2009 respectively.

**IV. There was no disclosure of profit prediction or related plan or prospect.**

**V. According to its present management status and financial position, the Company is impossible to predict net profit in the third quarter.**

---

## **Section VI. SIGNIFICANT EVENTS**

### **I. Corporate Governance**

In the Period, pursuant to the requirements of *Company Law*, *Securities Law* and relevant laws and regulations of CSRC, the Company continued perfecting the corporate governance structure and standardized the corporate operation. Furthermore, in accordance with requirement of “Basic Rules of Internal Control for Enterprises” and “Matching of the Internal Control for Enterprises”, internal control system of the Company and its subsidiaries were put into orders and revised as well as supplemented and perfected by the Company, that higher the running standards of the Company guarantee efficiency implementation and surveillance of the system. Board of the Directors takes the opinions that: there is no obviously difference between the actual situation and relevant requirements from CSRC in aspect of corporate governance.

### **II. Establishment and execution of the internal control system of the Company**

Pursuit to the requirement from CSRC and five committee of Ministry of Finance on “Basic Rules of Internal Control for Enterprises” and “Matching Guideline of the Internal Control for Enterprises”, the Company strength and standardized the internal control of the Company for higher the management standards and risk prevention ability of the operational management that promoting the sustainable development of the Company. In April of 2011, the Company started the construction works on internal control system officially around the Company and appointed a professional agency to helping the construction works on internal control system of the Company positively.

The proposal of “Work Plan of the Implementation on ‘Basic Rules of Internal Control for Enterprises’” was deliberated and approved by 6<sup>th</sup> Meeting of 6<sup>th</sup> Session of the Board dated 13<sup>th</sup> April 2011. Till end of the period, the Company positively participated in the training that organized by CSRC; appointed professional agency organized the concentrate training within the Company. Directors, supervisors and senior executives of the Company were participated in the training as well as relevant staffs of managers and financial staff from subsidiary or branch of the Company.

Currently, construction works of the internal control standardized system was promoted on planning steadily.

### **III. Profit distribution scheme and scheme of transfer of reserve to share capital**

(I) In the Period, there was no implementation of profit distribution or transfer of reserve to share capital.

(II) In the medium term, the Company has not to go with profit distribution or transfer of reserve to share capital.

### **IV. Major lawsuit and arbitration**

In the report period, the Company had no new significant lawsuits and arbitrations.

The explanations on original significant lawsuits and arbitrations of the Company are as follows:

1. On 4 March 2011, the civil order of (2007) YMCZi No.646, No.766, No.794, No.805 and No.817 was received by the Company from People’s Court of Yuanyang County, Hunan Province, details of the order are: Zhou Bin and other 315 plaintiff withdrawing the charge from the Court dated 10<sup>th</sup> August 2010. The Court takes the opinions that: plaintiff and defendant are resolved the dispute of house sales contract within the two parties by themselves. Zhou Bin and other 315 plaintiff were consented to withdraw charge; case charge was beared by Zhou Bin and other 315 plaintiff.

---

Meanwhile, the notice of executed (2009) YFZZi No.185, No. 186, No.187, No. 188 and No.189 was received by the Company from People's Court of Yuanyang County, Hunan Province, details of the order are: applicant Fu Yuansi, Wu Shenbao and other 62 persons applying case of dispute settlement on quality of house sales contract of Tellus Group with civil order of (2008) YMCZi No. 506-1, No.506-2, No.506-3, No.506-4 and No. 506-5. In process of execution, all responsibilities of the settlement agreement have been implemented by Tellus Group the case has been executed.

Meanwhile, the notice of executed (2007) YFZZi No.189, No. 190 and No.191 was received by the Company from People's Court of Yuanyang County, Hunan Province, details of the order are: applicant Fu Guanbao and other 39 persons applying case of dispute settlement on quality house sales contract of Tellus Group with civil order of (2006) YMCZi No. 702, No.703 and No. 704. In process of execution, all responsibilities of the settlement agreement have been implemented by Tellus Group the case has been executed.

Being consult from largest shareholder, the settlement agreement was reached with integrated settlement agreement between Shenzhen SDG Co., Ltd and prosecutors. The case was resolved between the two parties of plaintiff and defendant, plaintiff withdraw the suit in group.

The ruling result removes all contingency responsibilities that subsequently occurred probably on the Company from the suits.

People's Court of Yuanyang County was executed assets of the Company in 5 times with period of October 2006 to June 2007 on totaled 1.1798 million yuan. The aforesaid account was reckoned into the non-operating expenditure for year of 2007. Except the aforesaid account, other charges and expenditures related to lawsuits were totally beared by controlling shareholder of the Company – Shenzhen SDG Co., Ltd.

Relevant announcement was released on Securities Times and Hong Kong Commercial Daily dated 9<sup>th</sup> March 2011.

2. Shenzhen Tefa Tellus Real Estate Development Co., Ltd. ("Tellus Real Estate"), a subsidiary of the Company, signed a Joint Property Construction Contract with Shenzhen Jinlu Industrial and Trade Company ("Jinlu Company") on November 29, 1994, to build Liye Huishi Street in Buji Town, Shenzhen. In the agreement, it was agreed that on the basis of respecting the Cooperation Contract of Construction for Buji Liye Huishi Street signed by Jinlu Company, and the land providers-Guangzhou Military Area Shenzhen Property Administrative Department (referred to Property Administrative Department later) and Army 75731 of Chinese People's Liberation Army (referred to Army 75731 later), Tellus Real Estate input RMB 10 million as investment for construction in return of a property whose construction area amounted to 6,000 square meters. Jinlu Company promised to hand over the completed buildings and fitting equipments before end of November, 1995. However, till Dec 31st of 1996, though it had already accumulatively input with RMB 9,822,500.00 for this investment, Tellus Real Estate did not received the properties it should had received on the agreed day for handing over property. So, it appealed to the court, to require Jinlu Company immediately return the investment account of RMB 9.8 million and relevant interest, and all legal fare. Through court hearing, the Court added Guangzhou Military Area Shenzhen Property Administrative Department and Army 75731 as defendants according to laws. On Mar 18<sup>th</sup> of 2003, Shenzhen Intermediate Peoples' Court sentenced effectiveness of the aforementioned Cooperation Contract by issuing SZFFCZi (2000) No. 101 Verdict. The nature was confirmed as cooperation construction, and the two parties should continue to implement the contract. If disputes occurred between the parties for any disagreement in contract implementation, law channel could be an assistant for solving.

In March of 2005, Tellus Real Estate, together with Jinlu Company, prosecuted Property Administrative Department and Army 75731 (Guangzhou Military Area Telecommunication Equipments Repair Office), appealing that the two defendants implement the contract and hand over the 11,845 square meters property in Liye Huishi Street to the two accusers. Meanwhile, the defendants were appealed to pay lease income of RMB 5,034,664.94 collected from the property since 1998. Meanwhile, Tellus Real Estate and Jinlu Company signed agreement, agreeing that: for Liye Huishi Street property received back from automatic implementation or compulsory execution by the Court, 6,000 square meters property belonged to Tellus Real Estate, and the rest belonged to Jinlu Company. If insufficient to 6,000 square meters, all the property belonged to Tellus Real Estate; as for the income called back from this case, distribution between the two parties with proportion of 5:5 was going to be made. Shenzhen Mediate People's Court took the first trial on this lawsuit in Aug. of 2010. It wasn't judged in court for the case was complicated.

On Apr. 29 of 2011, the Company received a civil ruling letter ([2005] SZFSMWCZi No. 82) from Shenzhen Mediate People's Court. The court believed the cooperation contract of real estate development signed by Jinlu Company together with Housing Management Branch was valid. But Liyehui Food Street built on land concerning this case by both parties was regarded as unauthorized construction because they didn't handle the construction planning permit in administrative division of government though they got approval from the general logistic division. For both parties didn't post-handle relevant procedure in administrative division, this unauthorized construction belongs to illegal target. People's court isn't able to adjudicate the construction as well as its interest distribution. Thus Jinlu Company and Tellus Company rejected this lawsuit as for property payment of Liyehui Food Street and rent distribution.

The rulings for other lawsuits of the two companies were as follows: reject lawsuit the plaintiff namely Shenzhen Jinlu Industry and Trade Company and Shenzhen Tefa Tellus Real Estate Co., Ltd appealed that Shenzhen Property Management Branch in Guangzhou Military Region, and PLA 75731 Army should submit 11845 square meters of Liyehui Food Street and they both should pay rent of several years since 1998.

The Company had accrued total amount of provision for bad debts of cooperative development capital Tellus Real Estate Company invested.

Relevant announcement was released on Securities Times and Hong Kong Commercial Daily dated 4<sup>th</sup> May 2011.

No new progress within the period for other lawsuits related to the Company.

## V. Analysis of and explanation on other important events, impact and solutions

(I) Securities Investment: Nil

(II) Shareholding in other companies

Unit: RMB

Stock code	Shortened name of stock	Initial investment	Shareholding proportion	Book value at Period-end	Gain/Loss in Period	Change of owner's equity in Period
600036	China Merchants Bank	178,454.20	0.00%	1,507,390.50	0.00	24,312.75
Total		178,454.20		1,507,390.50	0.00	24,312.75



---

(III) Shareholding in unlisted financial enterprise and will-be-listed company: Nil

## **VI. There were no substantive asset sales in the Period.**

### **VII. Substantive related transaction in Period**

(I) In the Period, there was no related transaction for commodity repurchase or labor supply between the Company and the affiliated parties.

(II) Liabilities and guarantees between the Company and the affiliated parties: set out in detail in Note VI. 6 of Accounting Statement.

(III) Other substantive related transaction: in the period, there was no other substantive related transaction.

### **VIII. Significant contract and fulfillment**

(I) In the Period, there was no substantive transaction, trust, contract or lease of other companies' assets by the Company or otherwise.

(II) No significant guarantee contract in Period

### **IX. Independent Directors' Specific Explanation and Independent Opinion on Fund Embezzlement of and External Guarantee for Company's Related Party**

As the Company's independent directors, we attended 4<sup>th</sup> of 6<sup>th</sup> Session of the Board Meeting of Shenzhen Tellus Holdings Co., Ltd. and approved each proposal made out in the meeting. Pursuant to relevant laws and regulations, the explanation on fund embezzlement of and external guarantee for the related party is as follows:

I) We have audited the Financial Report presented by the Company; as ending the Period-ending, there was no fund embezzlement of controlling shareholders or related parties.

II) Pursuant to rules of CSRC *Announcement on Standardization of Listed Company's External Guarantee* (CSRC [2005] 120) (hereafter referred as the "Announcement"), and being practical and realistic, we seriously audited the Company's external guarantee; and then as ending 30 June 2011, no external guarantee occurred of the Company and no guarantees provided to its controlling shareholders and related parties from the Company been found.

### **IX. Significant Contract and Fulfillment**

1. There were no substantive transaction, trust, contract or lease of other company's assets by the Company or otherwise in the Period or previous ones continuing into the Period.

2. There were no significant guarantee contract in the Period or previous ones continuing into the Period.

3. There were no trust of cash asset management in the Period or previous ones into the Period

### **XI. Commitment of Shareholders of Shareholding above 5%**

In the Company's Stock Merger Reform, Tellus Group—the non-current share holder, in addition to fulfillment of legal obligations committed, also committed as follows:

1. Within the 36 month from the implementation day of the Reform Scheme, the Group did not list and make sales of stock held (that for management option incentive excluded), in Shenzhen Stock Exchange, which is performed completely.

2. Specific commitment for option incentive mechanism

With the view of effective long-term incentive for the Company's core management and business bones, the Group made use of stock totalled below 10% as management option incentive upon the Stock Merger Reform, made three-year sales to its management at price of its latest audited net

---

asset value each. The management had to pay the Company 20% of the projected sales price as risk responsibility money in advance before the implementation of the option incentive scheme every year; if the management was unable to accomplish the Company's performance evaluation assignment, the risk responsibility money paid was not paid back and enjoyed by the Company. Specific rules of restrictions and incentive scheme as stock subscription qualifications and risk responsibility money, will be made out by the Company's Board and reported for approval to the relevant department. The Implementation will comply with relevant rules of Shenzhen Stock Exchange.

The aforementioned commitments is being performed by the Group. Restriction sales period of stock held by the Group expired on 20 January 2009, of which, 131,283,504 shares were listed and in trade with the rest still under restriction as of the specific commitments for option incentive.

**XII. In the Period, there was no change in the Company's CPAs; and the Semi-annual Financial Report was not audited.**

**XIII. In the Report period, the Company and its directors, supervisors, senior management and actual controllers did not received any investigation of relevant institution, compulsive measures of discipline inspection judicial department, deportation to judicial organ or criminal liability, inspection and administrative penalty of CSRC, no bond-market-admission, identification as inappropriate applicant, punishment by other administration department, and public condemnation by the Stock Exchange.**

**XIV. In the Period, pursuant to the requirements of *Guidance for Liseded Company's Fair Information Disclosure*, save that they reported and submitted nonpublic information to controlling shareholders in the previous disclosure manner, the Company and relevant information disclosure obligors, strictly complying with fair information disclosure principle, did not treat information differentially, or disclose, reveal or leak out nonpublic information selectively and privately. And in the Period, the Company did not receipt investigation and study, and interview.**

**XV. Index of important events disclosed in Period**

Announcement number	Disclosure event	Disclosure date	Disclosure media
2011001	Resignation of the directors and general manager of the Board	2011-2-19	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011002	Resolution of the Board	2011-2-19	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011003	Progress of the Lawsuit Events	2011-3-9	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011004	Annual Report and its Summary	2011-4-15	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011005	Resolution of the 6 <sup>th</sup> Meeting of 6 <sup>th</sup> Session of the Board	2011-4-15	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011006	Resolution of the 7 <sup>th</sup> Meeting of 6 <sup>th</sup> Session of Supervisory	2011-4-15	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011007	Explanation on the Changes of Accounting Policy and Retrospective Adjustment	2011-4-15	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011008	Opinions from Supervisory on Retrospective Adjustment for Previously Data of Financial Statements	2011-4-15	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011009	Opinions from Independent Directors on Retrospective Adjustment for Previously Data of Financial Statements	2011-4-15	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011010	Forecast of Performance	2011-4-19	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011011	Text of 1 <sup>st</sup> Quarterly Report for 2011	2011-4-25	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011012	Resolution of 7 <sup>th</sup> Meeting of 6 <sup>th</sup> Session of the Board	2011-4-25	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011013	Resolution of 8 <sup>th</sup> Meeting of 8 <sup>th</sup> Session of Supervisory	2011-4-25	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011014	Progress of the Lawsuit Events	2011-5-4	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011015	Resolution of 14 <sup>th</sup> Extraordinary Meeting of 6 <sup>th</sup> Session of the Board	2011-5-25	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011016	Holding 2010 Annual Shareholders' General Meeting	2011-5-25	Securities Times, Hong Kong Commercial Daily, Juchao Website
2011017	Resolution of the Annual Shareholders' General Meeting of 2010	2011-6-16	Securities Times, Hong Kong Commercial Daily, Juchao Website

## VII Financial Report (Un-audited)

### Consolidated Balance Sheet

January-June 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Assets	Note5	Amount of period-end	Amount of year-begin
<b>Current assets:</b>			
Monetary funds	1	59,594,020.80	69,122,979.84
Transactional financial assets		-	-
Notes receivable		-	-
Accounts receivable	2	6,818,385.86	8,831,986.63
Prepayment	3	7,834,310.63	10,212,371.68
Dividend receivable		-	-
Other accounts receivable	4	21,095,058.70	13,743,165.24
Inventories	5	23,310,846.67	25,045,954.52
Non-current asset due in 1 year		-	-
Other current assets		-	-
<b>Total of current asset</b>		<b>118,652,622.66</b>	<b>126,956,457.91</b>
<b>Non-current assets:</b>			
Financial asset available for sale	6	1,507,390.50	1,483,077.75
Expired investment in possess	7	121,300.00	121,300.00
Long-term receivable		-	-
Long-term share equity investment	8	149,234,561.95	150,481,302.12
Investment real estate	9	111,040,875.91	113,660,483.41
Fixed asset	10	168,633,490.44	173,400,772.86
Construction in process	11	922,279.81	-
Engineering goods		-	-
Fixed asset disposal		-	-
Production biological asset		-	-
Intangible assets	12	192,838.50	221,588.46
R&D expense		-	-
Goodwill		-	-
Long-term amortizable expenses	13	1,098,158.49	1,258,536.21
Deferred income tax assets	14	31,972,434.56	31,972,434.56
Other non-current asset		-	-
<b>Total of non-current assets</b>		<b>464,723,330.16</b>	<b>472,599,495.37</b>
<b>Total of assets</b>		<b>583,375,952.82</b>	<b>599,555,953.28</b>

The notes to the Financial Statement are essential parts of the Financial Statements

# Consolidated Balance Sheet (Con' t)

January-June 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Liabilities & Shareholders' Equity	Note 5	Amount at period-end	Balance at period-beginning
<b>Current liability:</b>			
Short-term loans	16	34,840,900.42	42,363,705.42
Transactional financial liability		-	-
Notes payable		-	-
Accounts payable	17	27,470,361.89	30,767,809.82
Accounts receivable in advance	18	2,137,661.03	1,838,938.58
Wage payable	19	13,928,365.42	14,784,418.61
Taxes payable	20	6,322,972.89	7,464,874.69
Dividend payable		-	
Interest payable		-	-
Other account payable	21	107,968,492.04	107,704,456.87
Non-current liability due within 1 year	22	16,440,000.00	8,640,000.00
Other current liability		-	-
<b>Total of current liability</b>		<b>209,108,753.69</b>	<b>213,564,203.99</b>
<b>Non-current liability:</b>			
Long-term loans	23	80,580,000.00	92,700,000.00
Bonds payable		-	-
Long-term payable	24	3,920,160.36	3,920,160.36
Special accounts payable		-	-
Projected liabilities	25	87,568,728.57	87,568,728.57
Deferred income tax liability	14	2,005,026.70	2,005,026.70
Other non-current liability		-	-
<b>Total non-current liability</b>		<b>174,073,915.63</b>	<b>186,193,915.63</b>
<b>Total of liability</b>		<b>383,182,669.32</b>	<b>399,758,119.62</b>
<b>Owners' equity:</b>			
Share capital	26	220,281,600.00	220,281,600.00
Capital public reserve	27	8,660,142.60	8,635,829.85
Surplus public reserve	28	2,952,586.32	2,952,586.32
Retained profit	29	-56,093,074.18	-56,595,413.73
Total owner's equity attributable to parent company		175,801,254.74	175,274,602.44
Minority interests		24,392,028.76	24,523,231.22
<b>Total of owners' equity</b>		<b>200,193,283.50</b>	<b>199,797,833.66</b>
<b>Total liabilities &amp; owner's equity</b>		<b>583,375,952.82</b>	<b>599,555,953.28</b>

(The Notes to the Financial Statements are essential parts of the Financial Statements)

# Consolidated Income Statement

January-June 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Items	Note5	Amount at this period	Amount at last year
<b>I. Turnover</b>	30	178,047,165.38	198,323,188.79
Less: Operation cost	30	144,203,262.02	164,259,673.76
Business tax and surcharge	31	2,273,132.81	1,871,701.10
Sales expense		10,254,375.32	10,559,146.00
Administrative expense		20,217,091.42	20,071,551.74
Financial expense	32	4,320,901.64	4,441,621.86
Asset impairment loss		-	-
Plus: Income from change of fair value(loss is listed with"-")		-	-
Investment income (loss is listed with"-")	33	3,937,834.58	4,878,630.21
Incl: Investment income from affiliated enterprises and joint venture		3,904,259.83	4,878,630.21
<b>II. Operation profit(loss is listed with"-")</b>		<b>716,236.75</b>	<b>1,998,124.54</b>
Plus: Non-operation income	34	21,394.84	185,957.64
Less: Non-operation expenses	35	159,475.00	21,163.67
Incl: Loss from disposal of non-current assets		-	3,053.74
<b>III. Total profit (loss is listed with"-")</b>		<b>578,156.59</b>	<b>2,162,918.51</b>
Less: Income tax expenses	36	207,019.50	451,955.63
<b>IV. Net profit(loss is listed with"-")</b>		<b>371,137.09</b>	<b>1,710,962.88</b>
Net profit attributable to owners' of parent company		502,339.55	1,098,680.67
Minor shareholders' equity		-131,202.46	612,282.21
<b>V. Earning per share</b>			
(I) Basic earnings per share	37	0.002	0.005
(II) Diluted earnings per share	37	0.002	0.005
<b>VI. Other consolidated income</b>	38	24,312.75	-460,971.20
<b>VII. Total of consolidated income</b>		<b>395,449.84</b>	<b>1,249,991.68</b>
Total consolidated income attributable to owners of parent company		526,652.30	637,709.47
Total consolidated income attributable to minority shareholders		-131,202.46	612,282.21

(The Notes to the Financial Statements are essential parts of the Financial Statements)

# Consolidated Cash Flow Statement

January-June 2011

Prepared by SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Items	Note 5	Amount at this period	Amount at last year
<b>I. Cash flow from operating activities</b>			
Cash received from sales of products and providing of services		179,556,003.78	210,020,525.82
Taxes surrender received		-	-
Other cash received from business activities	39	35,741,630.12	38,327,250.82
<b>Sub-total of cash inflow from business activities</b>		<b>215,297,633.90</b>	<b>248,347,776.64</b>
Cash paid for purchasing of merchandise and services		142,171,643.22	188,875,349.06
Cash paid to/for staff		26,383,310.20	24,998,985.65
Taxes paid		10,016,897.45	10,852,005.46
Other Cash paid for business activities	39	29,949,108.99	43,354,584.20
<b>Subtotal of cash outflow from business activities</b>		<b>208,520,959.86</b>	<b>268,080,924.37</b>
<b>Net cash flow generated from business activities</b>		<b>6,776,674.04</b>	<b>-19,733,147.73</b>
<b>II. Cash flow from investment activities</b>			
Cash received from investment retrieving		-	-
Cash received as investment gains		33,574.75	-
Net cash received from disposal of fixed, intangible assets and other long-term assets		-	42,649.00
Net cash received from disposal of subsidiaries or other operational units		-	-
Other investment-related cash received		-	-
<b>Subtotal of cash inflow due to investment activities</b>		<b>33,574.75</b>	<b>42,649.00</b>
Cash paid for construction of fixed assets, intangible assets and other long-term assets		914,244.41	350,671.00
Cash paid as investment		600,000.00	546,873.15
Net cash received from subsidiaries and other operational units		-	-
Other cash paid for investment activities		-	-
<b>Subtotal of cash outflow due to investment activities</b>		<b>1,514,244.41</b>	<b>897,544.15</b>
<b>Net cash flow generated from investment</b>		<b>-1,480,669.66</b>	<b>-854,895.15</b>
<b>III. Cash flow generated by financing</b>			
Cash received as investment absorption		-	-
Including: Cash received as investment from minor shareholders by subsidiary		-	-
Cash received as loans		-	11,000,000.00
Other financing-related cash received		28,201.10	49,067.99
<b>Subtotal of cash inflow from financing activities</b>		<b>28,201.10</b>	<b>11,049,067.99</b>
Cash paid to debts		11,820,834.00	11,703,318.00
Cash paid as dividend, profit or interests		3,029,213.78	3,238,444.27
Including: Dividend and profit paid by subsidiaries to minor shareholders		-	-
Other cash paid for financing activities		-	-
<b>Subtotal of cash outflow from financing activities</b>		<b>14,850,047.78</b>	<b>14,941,762.27</b>
<b>Net cash flow generated by financing activities</b>		<b>-14,821,846.68</b>	<b>-3,892,694.28</b>
<b>IV. Influence of exchange rate alternation on cash and cash equivalents</b>		-3,116.74	-2,610.60
<b>V. Net increase of cash and cash equivalents</b>		<b>-9,528,959.04</b>	<b>-24,483,347.76</b>
Plus: Balance of cash and cash equivalents at the beginning of term		64,122,979.84	72,376,177.95
<b>VI. Balance of cash and cash equivalents at the end of term</b>		<b>54,594,020.80</b>	<b>47,892,830.19</b>

(The Notes to the Financial Statements are essential parts of the Financial Statements)

## Consolidated Statement on Changes of Owners' Equity

Semi-annual of 2011

Prepared by SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Items	Amount of the current term						Amount of last year					
	Shareholders' equity attributable to parent co.				Minor shareholders' equity	Total of shareholders' equity	Shareholders' equity attributable to parent co.				Minor shareholders' equity	Total of shareholders' equity
	Share capital	Capital reserves	Surplus reserves	Retained profit			Share capital	Capital reserves	Surplus reserves	Retained profit		
<b>I. Balance at the end of last year</b>	220,281,600.00	8,635,829.85	2,952,586.32	-56,595,413.73	24,523,231.22	199,797,833.66	220,281,600.00	7,839,688.31	2,952,586.32	-60,179,859.51	24,185,369.72	195,079,384.84
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Correcting of previous errors	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at the beginning of current year</b>	220,281,600.00	8,635,829.85	2,952,586.32	-56,595,413.73	24,523,231.22	199,797,833.66	220,281,600.00	7,839,688.31	2,952,586.32	-60,179,859.51	24,185,369.72	195,079,384.84
<b>III. Changed in current year (Loss is listed with "-")</b>	-	24,312.75	-	502,339.55	-131,202.46	395,449.84	-	796,141.54	-	3,584,445.78	337,861.50	4,718,448.82
(I) Net profit	-	-	-	502,339.55	-131,202.46	371,137.09	-	-	-	3,584,445.78	337,861.50	3,922,307.28
(II) Other integrated income	-	24,312.75	-	-	-	24,312.75	-	-432,000.46	-	-	-	-432,000.46
Total of (I) and (II)	-	24,312.75	-	502,339.55	-131,202.46	395,449.84	-	-432,000.46	-	3,584,445.78	337,861.50	3,490,306.82
(III) Shareholder input and withdraw of share capital	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital input by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Share payment accounted into shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Providing of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Common risk provision	-	-	-	-	-	-	-	-	-	-	-	-
3. Dividend to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal settlement of shareholders' equity	-	-	-	-	-	-	-	1,228,142.00	-	-	-	1,228,142.00
1. Capital reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to share capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Making up losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	1,228,142.00	-	-	-	1,228,142.00
(VI) Reasonable reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdraw in this period	-	-	-	-	-	-	-	-	-	-	-	-
2. Used in this period	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at the end of this term</b>	220,281,600.00	8,660,142.60	2,952,586.32	-56,093,074.18	24,392,028.76	200,193,283.50	220,281,600.00	8,635,829.85	2,952,586.32	-56,595,413.73	24,523,231.22	199,797,833.66



# Balance Sheet

January-June 2011

Prepared by SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Assets	Note11	Balance at period-end	Balance at year-begin
<b>Current assets:</b>			
Monetary capital		450,112.02	324,541.62
Transactional financial assets		-	-
Notes receivable		-	-
Accounts receivable	1	-	-
Prepayment		-	-
Dividend receivable		-	-
Other receivable	2	22,853,900.86	21,830,874.99
Inventory		-	-
Non-current assets due in 1 year		-	-
Other current assets		-	-
<b>Total of current assets</b>		<b>23,304,012.88</b>	<b>22,155,416.61</b>
<b>Non-current assets</b>			
Financial assets available for sale		1,507,390.50	1,483,077.75
Expired investment in possess		-	-
Long-term recivable		-	-
Long-term share equity investment	3	374,987,776.35	376,413,291.95
Investment real estate		63,332,140.56	64,814,748.48
Fixed assts		19,993,075.87	20,466,877.39
Construction in process		-	-
Engineering goods		-	-
Disposal of fixed assets		-	-
Production biological assets		-	-
Intangible assets		148,671.81	172,421.79
R&D expenses		-	-
Goodwill		-	-
Long-term amortizable expenses		113,639.14	174,688.06
Deferred income tax assets		14,865,962.87	14,865,962.87
Other non-current assets		-	-
<b>Total of non-current asset</b>		<b>474,948,657.10</b>	<b>478,391,068.29</b>
<b>Total of assets</b>		<b>498,252,669.98</b>	<b>500,546,484.90</b>

(The Notes to the Financial Statements are essential parts of the Financial Statements)

# Balance sheet (Con' t)

January-June 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Liabilities & Sharholders' equity	Note	Blance at period-edn	Balance at year-begin
<b>Current liability:</b>			
Short-term loans		16,828,120.42	16,828,120.42
Transactional financial liability		-	-
Notes payable		-	-
Accounts payable		1,554.00	1,554.00
Accounts received in advance		-	-
Wage payable		3,633,663.53	3,547,611.71
Taxes payable		281,312.35	281,199.97
Dividend payable			-
Interest payable		-	-
Other account payable		216,744,988.05	215,911,977.86
Non-current liability due within 1 year		4,480,000.00	4,480,000.00
Other current liability		-	-
<b>Total of current liability</b>		<b>241,969,638.35</b>	<b>241,050,463.96</b>
<b>Non-current liability:</b>			
Long-term loans		43,920,000.00	46,160,000.00
Bonds payable		-	-
Long-term payable		-	-
Special accounts payable		-	-
Projected liabilities		87,568,728.57	87,568,728.57
Deferred income tax liability		341,399.21	341,399.21
Other non-current liability		-	-
<b>Total non-current liability</b>		<b>131,830,127.78</b>	<b>134,070,127.78</b>
<b>Total liability</b>		<b>373,799,766.13</b>	<b>375,120,591.74</b>
<b>Owners' equity:</b>			
Share capital		220,281,600.00	220,281,600.00
Capital public reserve		5,466,719.32	5,442,406.57
Surplus public reserve		2,952,586.32	2,952,586.32
Retained profit		-104,248,001.79	-103,250,699.73
Total owner's equity attributable to parent company		124,452,903.85	125,425,893.16
Minority interests		-	-
<b>Total of owners' equity</b>		<b>124,452,903.85</b>	<b>125,425,893.16</b>
<b>Total liabilities&amp;owner's equity</b>		<b>498,252,669.98</b>	<b>500,546,484.90</b>

(The Notes to the Financial Statements are essential parts of the Financial Statements)

# Profit Statement

January-June 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

Unit: RMB

Items	Note11	Amount at this term	Amount at last term
<b>I. Total operating income</b>	4	6,559,038.23	6,347,830.14
Less: Operating cost	4	2,025,180.40	2,045,111.40
Operating tax and extras		360,747.11	330,087.17
Sales expense		-	-
Administration expenses		7,002,540.49	6,939,731.34
Financial expense		1,947,403.34	2,219,352.03
Losses of devaluation of asset		-	-
Plus: Changing income of fair value (Loss is listed with "-")		-	-
Investment income (Loss is listed with "-")	5	3,774,059.15	4,012,405.21
Incl: Investment income on affiliated enterprises and joint venture		3,740,484.40	4,012,405.21
<b>II. Operating profit (Loss if listed with "-")</b>		<b>-1,002,773.96</b>	<b>-1,174,046.59</b>
Plus: Non-operating income		5,471.90	-
Less: Non-operating expenses		-	10,000.00
Incl: Loss from the disposal of non-current assets		-	-
<b>III. Total profit (Loss is listed with "-")</b>		<b>-997,302.06</b>	<b>-1,184,046.59</b>
Less: Income tax expense		-	-
<b>IV. Net profit (Loss is listed with "-")</b>		<b>-997,302.06</b>	<b>-1,184,046.59</b>
Net profit attributable to owner's of parent company		-997,302.06	-1,184,046.59
Minority shareholders' gains and losses		-	-
<b>V. Earnings per share</b>			
i. Basic earnings per share			
ii. Diluted earnings per share			
<b>VI. Other integrated income</b>		24,312.75	-460,971.20
<b>VII. Total of intergrated income</b>		-972,989.31	-1,645,017.79
Total amount of owners' integrated income attributable to parent co.,		-972,989.31	-1,645,017.79
Total amount of integrated income attributable to minority shareholders		-	-

(The Notes to the Financial Statements are essential parts of the Financial Statements)

# Cash Flow Statement

January- June 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

: RMB

Items	Note	Amount at this term	Amount at last term
<b>I. Cash flows arising from operating activities</b>			
Cash received from selling goods and providing labor services		415,104.64	660,979.70
Write-back of tax received		-	-
Other cash received concerning operating activities		10,856,234.00	10,622,478.66
<b>Subtotal of cash inflow arising from operating activities</b>		<b>11,271,338.64</b>	<b>11,283,458.36</b>
Cash paid to/for purchasing goods and receiving labor services		-	-
Cash paid to/for staff and workers		4,844,266.68	4,635,929.71
Taxes paid		1,203,875.22	1,180,497.59
Other cash paid concerning operating activities		1,486,797.86	7,874,858.13
<b>Subtotal of cash outflow arising from operating activities</b>		<b>7,534,939.76</b>	<b>13,691,285.43</b>
<b>Net cash flows arising from operating activities</b>		<b>3,736,398.88</b>	<b>-2,407,827.07</b>
<b>II. Cash flows arising from investment activities</b>			
Cash received from recovering investment		-	-
Cash received from investment income		33,574.75	-
Net cash received from disposal of fixed, intangible and other long-term assets		-	-
Net cash received from disposal of subsidiaries and other units		-	-
Other cash received concerning investing activities		-	-
<b>Subtotal of cash inflow from investing activities</b>		<b>33,574.75</b>	-
Net cash paid for purchasing fixed, intangible and other long-term assets		33,862.00	31,955.00
Cash paid for investment		-	117,873.15
Net cash received from subsidiaries and other units		-	-
Other cash paid concerning investing activities		-	-
<b>Subtotal of cash outflow from investing activities</b>		<b>33,862.00</b>	<b>149,828.15</b>
<b>Net cash flows arising from investing activities</b>		<b>-287.25</b>	<b>-149,828.15</b>
<b>III. Cash flows arising from financing activities</b>			
Cash received from absorbing investment		-	-
Incl: Cash received from absorbing minority shareholders		-	-
Cash received from loan		-	6,000,000.00
Other cash received concerning financing activities		-	-
<b>Subtotal of cash inflow from financing activities</b>		<b>-</b>	<b>6,000,000.00</b>
Cash paid for settling debts		2,240,000.00	2,120,000.00
Cash paid for dividend and profit distributing or interest paying		1,370,541.23	1,439,394.14
Incl: Dividend and profit of minority shareholder paid by subsidiaries		-	-
Other cash paid concerning financing activities		-	-
<b>Subtotal of cash outflow from financing activities</b>		<b>3,610,541.23</b>	<b>3,559,394.14</b>
<b>Net cash flow arising from financing activities</b>		<b>-3,610,541.23</b>	<b>2,440,605.86</b>
<b>IV. Influence on cash due to fluctuation in exchange rate</b>		<b>-</b>	<b>-1,362.19</b>
<b>V. Net increase of cash and cash equivalents</b>		<b>125,570.40</b>	<b>-118,411.55</b>
Plus: Balance of cash and cash equivalents at the period begin		324,541.62	401,503.65
<b>VI. Balance of cash and cash equivalents at the period-end</b>		<b>450,112.02</b>	<b>283,092.10</b>

(The Notes to the Financial Statements are essential parts of the Financial Statements)

## Statement on Changes of Owners' Equity

Semi-annual of 2011

Prepared by: SHENZHEN TELLUS HOLDING CO., LTD.

unit: RMB

Items	Amount in this period						Amount in last period					
	Owners' equity attributable to parent company				Minority interest	Total owners' equity	Owners' equity attributable to parent company				Minority interest	Total owners' equity
	Share capital	Capital reserve	Surplus reserves	Retained profit			Share capital	Capital reserve	Surplus reserves	Retained profit		
<b>I. Balance at the end of last year</b>	220,281,600.00	5,442,406.57	2,952,586.32	-103,250,699.73	-	125,425,893.16	220,281,600.00	5,874,407.03	2,952,586.32	-105,286,986.57	-	123,821,606.78
Plus: Changes of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Error correction of the last period	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at this year-begin</b>	220,281,600.00	5,442,406.57	2,952,586.32	-103,250,699.73	-	125,425,893.16	220,281,600.00	5,874,407.03	2,952,586.32	-105,286,986.57	-	123,821,606.78
<b>III. Increase/decrease in this year (Decrease is listed with "-")</b>	-	24,312.75	-	-997,302.06	-	-972,989.31	-	-432,000.46	-	2,036,286.84	-	1,604,286.38
(I) Net profit	-	-	-	-997,302.06	-	-997,302.06	-	-	-	2,036,286.84	-	2,036,286.84
(II) Other integrated income	-	24,312.75	-	-	-	24,312.75	-	-432,000.46	-	-	-	-432,000.46
Subtotal of (I) and (II)	-	24,312.75	-	-997,302.06	-	-972,989.31	-	-432,000.46	-	2,036,286.84	-	1,604,286.38
(III) Owners' devoted and decrease capital	-	-	-	-	-	-	-	-	-	-	-	-
1. Owners' devoted capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount calculated into owners' equity paid in shares	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of general risk provision	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution for owners (shareholders)	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-
(V) Carrying forward internal owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves converted to capital (share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves converted to capital (share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Remedying loss with profit surplus	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Special inventory	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal in this period	-	-	-	-	-	-	-	-	-	-	-	-
2. Used in this period	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at the end of this year</b>	220,281,600.00	5,466,719.32	2,952,586.32	-104,248,001.79	-	124,452,903.85	220,281,600.00	5,442,406.57	2,952,586.32	-103,250,699.73	-	125,425,893.16

**SHENZHEN TELLUS HOLDING CO., LTD.****Notes to Financial Statements**

Ended as 30 June 2011

Unit: RMB Currency: CNY

**Note1. Basic information****1. Company Profiles**

Shenzhen Tellus Machinery Co. Limited is a state-owned enterprise, established in Shenzhen in the People's Republic of China (the PRC) On 11 December 1992; the Shenzhen Municipal People's Government approved the reorganization of Shenzhen Tellus Machinery Co. Ltd. to become a public limited company. Shenzhen Tellus Machinery Co. Ltd. was renamed Shenzhen Tellus Holding Company Limited (hereinafter referred to as "the Company") on 30 June 1994, with approval by the Shenzhen Administration for Industry and Commerce. The company respectively obtained the approval certificates "Shen Zhen Ban Fu (1993) No. 34" and "Shen Zhen Shi Zi (1993) No. 22" from the Shenzhen Stock Management Office and Shenzhen Stock Exchange in June 1993.

On 31 March 1997, with the approval of Shenzhen Municipal People's Government "Shen Fu Han (1997) No.19" and China Security Regulatory Commission "Zhen Jian Han (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. In order to circulate all the non-negotiable shares in the A share market, the Te Fa Group, as the one and only shareholder of non-negotiable shares in the Company, gave 13,717,440 shares to the holders of tradable shares of the company in the A share market (Per 10 tradable shares for 4 shares). The transferring was finished on 04 January 2006. After the split-share reform was completed, The Te Fa Group holds 66.22% of the shares capital of the Company.

The Company has Business License for Legal Person Numbered 440301103017750.

**2. Industry, Business Scope, main products or service**

The company and its subsidiaries provided automobile overall services, including automobile retailing, inspection and maintenance, production of inspection equipment, property lease and property management service, etc.

With the approval by Shenzhen Administration for Industry and Commerce, the Company's business scope includes investment (specific projects needs application); develop and operate the real estate business on the land with usage rights; rental and management for the owned property; warehouse and transportation, mechanical accessory processing, mechanical equipment installation, mainland commerce, goods and materials business, (Government monopolistic goods and materials are not included.), import and export business of internal production materials and accessories.

Import and export business complies with the approval certificate (Shen Mao Guan Zheng Zi No.098).

During the period reported, there was no change in the main operating business.

**3. Approver and approval reporting date of financial report**

The financial report of the Company was approved and reported by the Board of the Company dated 10 August 2011.

**Note2. Accounting Policies, Accounting Estimates and Errors of previous term****1. Basis Preparation of the Financial Statements**

The Company continues to operate as a going concern. These financial statements have been prepared on an accrual basis, according to the actual transactions and events.

## **2. Statement of Compliance with the Accounting Standards for Business Enterprises**

The financial statements of the Company for the semi-annual of 2010 are in conformity with the requirements of the Accounting Standard for Business Enterprises(2006) issued by Ministry of Finance R.R.C, and present fairly, in all material respects, the financial position, the results of operations, the cash flows and other relevant information of the Company.

## **3. Fiscal period**

The accounting year of the company is from 1 January to 31 December of the Gregorian calendar year.

## **4. Currency used in book-keeping**

The Company's reporting currency is the RMB Yuan.

## **5. Accounting treatment of the merging entities under common control and different control**

Merger of companies refers to those trade or event that merges over two individual companies into one report subject. Merger of companies is divided into merger of enterprises under common control and merger of enterprises under different control.

### **5.1 Merger of entities under common control**

Both before and after the merger, the enterprises are under common control of sole party or several parties, and the controlling power is by no means temporary, it is regarded as merger of enterprise under common control. Assets and liabilities obtained by the merging party are calculated at their book value with the merged parties at the merger day. The differences between the book value of net assets and the book value of consideration price (or the total of face value of share issued) are adjusted to the share capital premium under the capital reserves. If the share capital premium is not enough to neutralize the difference, it will be adjusted to the retained gains.

Direct expenses occurred to the merging party including auditing expenses, assessment expenses; law service expenses etc. for the merger are accounted into current gains and losses account when occurred. The issued bonds for the merger or handling charge, commission etc. of the bearing of other debts are accounted into the initial measured amount of issued bonds and other debts account. The handling charge, commission etc. of issued equity securities for the merger, abated the income of equity securities premium. If the premium income is not enough for abatement, it will be abated to the retained gains. The consolidation day is the date when the controlling power over the merged parties is practically obtained by the merging party.

### **5.2 Merger of entities under different control**

When the enterprises participated in the merger are not under controlling of the same party or group of parties, either before or after the merger, the merger is regarded as merger of enterprises under different control. The merger cost paid by buying party is the fair value of cash or non-cash assets, liability occurred or undertaken, or equity instrument issued thereof, on the day of purchasing to obtain power of control over the bought party, and those sum of expenses directly related to the merger. The difference between non-cash assets and its book value will be accounted into current gains and losses account.

When the merger cost is greater than the share of fair value of recognizable net asset of the bought parties, the balance is recognized as goodwill; when the merger cost is lower than the share of fair value of recognizable net asset of the bought enterprise, revising will firstly be done on the merger cost and fair value of each recognizable assets, liabilities, and contingent liabilities of the bought party, and if the merger cost is still lower than the share of fair value of recognizable net asset of the bought enterprise, the balance will be accounted into current gains and loss account.

The purchasing day is the date when the controlling power over the bought parties is practically obtained by the buying party. The buying party allocated the merger cost at the purchasing day for the confirmation of various recognizable assets, liabilities or contingent liabilities obtained from

bought parties.

Merger of business treated as the same method.

## **6. Preparing method of consolidated financial statements**

The range of consolidated financial statement consisted of the Company and its subsidiaries. Controlling power means the Company has the ability to decide the financial and operation issued of another firm and can obtain profit from the firm's business operation.

Subsidiaries added as merger of enterprises under common control, while preparing consolidated financial statement, regarded as the merged subsidiaries that controlled by Company's final controller at the beginning of controlling. Therefore, the operation result from the beginning of controlling by final controller of the Company demonstrated in the consolidated income statement and the comparison amount in the consolidated financial statement shall be adjusted accordingly.

Subsidiaries added as merger of enterprises under different control, while preparing the current consolidated financial statement, adjusted subsidiary's financial statement on the basis of various recognizable assets and fair value of liabilities recognized at the day of purchasing. Their assets, liabilities and operation results after the purchased day have been demonstrated in the consolidated financial statement, and the initial amount and comparison amount of the consolidated financial statement will not be adjusted.

Those minor shareholders' equity and minor shareholders' gains and losses in subsidiaries are demonstrated respectively under the shareholders' equity items in the consolidated balance sheet and net profit items in the consolidated income statement.

When the share of losses attributable to the minor shareholders has exceeded their shares in the shareholders' equity at the beginning of term, if the Articles of Association of the Company has decided beforehand that the minor shareholders has the responsibility to undertake the losses and have the power to make up them, the shareholders' equity shall be deducted thereof. If not so, it will be deducted from the shareholders' equity attributable to the parent company of the Company. Profits produced by the subsidiary of the Company before making up of the losses attributed to the minor shareholders but undertaken by the parent company of the Company.

Concerning the different accounting periods or accounting policies of the subsidiaries, necessary adjustment have been made to the financial statement of subsidiaries accord with the Company's accounting periods or accounting policies while consolidating the financial statement. Major trades of the Company in merge have been neutralized when consolidated, internal realized profit and current balance included.

## **7. Determination criteria of cash and cash equivalent**

Cash refers to the inventory cash of the Company and the deposit available for payment anytime.

Cash equivalents represent short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

## **8. Foreign currency business and the conversion of foreign currency statement**

### **8.1 Foreign currency transaction**

The foreign currency transactions will be accounted to Renminbi that translated with the spot exchange rate on the date of transaction occurred.

At the balance sheet day, monetary items in foreign currency translated to Renminbi at the instant exchange rate of that day, the occurred exchange differences are accounted into current gains and losses, except for the exchange difference of special foreign currency borrowing satisfying the conditions of capitalization, which is capitalized and accounted into cost of related assts. Non-monetary items in foreign currency and measured with historical costs are still measured at standard currency with exchange rate of the day when the transaction is happened.

### **8.2 Translation of foreign currency statement**



Assets and liability items of overseas business operation in the balance sheet are translated at the spot exchange rate of balance sheet date; shareholders' equity except for retained profits is translated at the spot exchange rate of the day when they happened. Income and expenses items of overseas business operation in the income statement are translated at the spot exchange rate of the date when the trades happened. The difference amount of foreign currency statement translation is demonstrated under shareholders' equity items in the balance sheet. The cash flow items of overseas business operation are translated on the spot exchange rate of the day when the cash flow was happened. The influences of fluctuation of exchange rate on cash will be demonstrated in the cash flow statement.

## **9. Financial instruments**

### **9.1 Classification of financial assets and financial liabilities**

The initial Recognition of financial assets and financial liabilities are divided into the following s: the financial assets or financial liabilities that measured at fair values and whose variations are included into the current gains and losses; held-to-maturity investments; loans and accounts receivable; financial assets available for sale and other financial liabilities.

### **9.2 Recognition of financial assets and financial liabilities**

The recognition of financial assets is the process of counted the items that meet the definition of financial assets and the recognition condition of financial assets into balance sheet. And the recognition of financial liabilities is the process of counted the items that meet the definition of financial liabilities and the recognition condition of financial liabilities into balance sheet.

### **9.3 Measurement of financial assets and financial liabilities**

In initial recognition, the financial assets and financial liabilities are base on the fair value. Concerning the financial assets or financial liabilities that measured at fair value and whose variations are included into the current gains and losses, the relevant transaction expenses directly included in current gains and losses; concerning the other types of financial assets or financial liabilities, the relevant transaction expenses counted as the initial recognition amount.

The financial assets and financial liabilities shall be follow-up measured based on fair value excluding the loans and account receivable, investment held-to-maturity and other financial liabilities. Other financial liabilities shall be follow-up measured based on the effective-interest method by cost amortizing.

The gains and losses from the change of financial assets or financial liabilities measured by fair value and with variations accounted into current gains and losses account shall be accounted into current gains and losses.

The gains/losses arising from the fair value change of financial assets available for sale, except the exchange difference arising from depreciation losses and foreign currency monetary financial assets, directly accounted into capital reserves. Transfer the gains/losses while determined the financial assets recognition, accounted into current gains/losses.

The exchange differences from salable foreign currency monetary financial assets shall accounted into current gains/losses. The interest of salable financial assets calculated based on effective-interest method shall accounted into current gains/losses. The cash dividend of salable investment of equity instrument shall account into current gains/losses when the invested company declares to issuing the dividend.

Concerning the financial assets or financial liabilities calculated based on amortized cost, if there has gains/losses from depreciation, amortizing or recognizing termination, then shall accounted into current gains/losses.

### **9.4 Termination of financial assets and financial liabilities**

Terminated recognition of financial assets means written-off the financial assets from Company's account and balance sheet. When the contract of receiving financial assets' cash flow have been terminated or the financial assets have been transfer and meets the terminated recognition of

requirements of Enterprise Accounting Standard No23—Transfer of Financial Assets, the financial assets terminated recognized.

Terminated recognition of financial liabilities means written-off the financial liabilities from Company's account and balance sheet. Recognized a financial liabilities or partial financial liabilities terminated when the financial liabilities is wholly or partially terminated.

#### 9.5 Deciding of fair value of financial assets and financial liabilities

9.5.1 When there is an active market for the financial instrument, the value quoted at the active market is adopted to determine the fair value;

9.5.2 When there isn't any active market, fair value will be recognized by evaluation techniques;

9.5.3 Original obtained or derivative financial assets or undertaken financial liabilities, the fair value shall base on the trading price in market.

9.5.4 the financial instrument's fair value determined by discount of future cash flows, use the discount rate of market return of the materially same other financial instruments in contract clause or characteristic. If the rate-listless short-term account receivable and the current value of account payable have small difference to actual prices, measured based on the actual trading price.

#### 9.6 Impairment of financial assets

Except for financial assets accounted at fair value and variation accounted into current gains and losses account, the Company undertakes inspection on the book value of other financial assets at balance sheet day, whenever particle evidence showing that impairment occurred with them, impairment provisions are provided.

##### 9.6.1 Investment in possession till expiration

Upon objective evidence recognized for impairment losses at balance sheet day, the difference between book value at period-end and current value of predicted future cash flow are recognized as impairment that accounted into current gains/losses.

##### 9.6.2 Financial assets available for sale

On balance sheet date, the Company analysis the impairment of financial assets available for sale, if the fair value of financial assets available for sale changes turns dramatically down to over 50% of the initial cost, or the down situation was predicted non-temporary and last more than 12 months after fully considering, than the difference between current value of predicted future cash flows and book value shall accounted into impairment provision.

When there is impairment of financial assets available for sale, transfer the accumulative losses recognized as losses and accounted in to impairment provision.

#### 10. Account receivable

##### 10.1 Recognition and provision of bad debt provision on receivable accounts with large amount

The receivable accounts with large amount refers to the receivable accounts over RMB 10 million; the other receivable accounts with large amount refers to the other receivable accounts over RMB 0.5 million.

Accruing way for accounts with single significant amount and bad debts provision accrued individually: The Company performs impairment test separately on individual receivable accounts with large amount, if found particle evidence on impairment. Concerning the impairment test of single major amount, if there has principal evidence showing impairment, recognized losses according to the difference between current value of original actual discount rate lowers its book value with the predicts future cash flow(excluding the future credit loss) accounted into current gains/losses.

##### 2.Accounts whose bad debts provision was accrued by combination

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

Account age	Rate for receivables (%)	Rate for other receivables (%)
Within 1 year (included)	Un-withdrawing	Un-withdrawing
1-2 years	5	5

2-3 years	20	20
Over 3 years	50	50

### 3.Accounts with single significant amount and bad debts provision accrued individually

The receivable accounts with large amount refers to the receivable accounts over RMB 10 million; the other receivable accounts with large amount refers to the other receivable accounts over RMB 0.5 million.

Accruing way for accounts with single significant amount and bad debts provision accrued individually: on balance sheet day, as for accounts with single significant amount and bad debts provision accrued individually, the Company recognized losses according to the difference between current value of original actual discount rate lowers its book value with the predicts future cash flow(excluding the future credit loss) accounted into current gains/losses

## 11.Inventories

### 11.1 Categorizing of inventory

Inventories are divided into raw materials, inventory products, consumption biological assets, products and low-value consumable products etc.

### 11.2 Calculation method of inventory

The various inventory's purchase and storing calculated based on actual cost; Issuing inventories are measures by weighted average method, low-value consumption and packages used the separated amortizing method.

### 11.3 Recognition basis of realizable net value of inventory and providing basis of inventory impairment provision

Recognition of realizable net value of inventory that directly for selling including completed products, commodity and sale-able materials, the amount of predicted sales prices less predicted sales expenses and tax. Concerning the material inventories need for processing, the net realizable value is the amount of predicted sales price less predicted cost at completion of construction, less predicted sales expenses and tax.

The provisions of value decrease of inventories: on the balance sheet date, the provisions of value decrease of inventories are recognized when the net reliable values of inventories are lower than its book values, and are included in the current profits and losses. If the value of inventories is recovered in latter period, the amount of write-down should be resumed and be reversed from the provisions of value decrease of inventories that has been made. The reversed amount should be transferred to the current profits and losses. While recognized the realizable net value of inventory, based on the value price that have been estimated by reliable evidence obtained balance sheet date, considering the purpose of inventory, the fluctuation between the date of balance sheet and the date of disclosure, if there has principal evidence showing new or more evidence towards inventory at balance sheet date, counted as adjustment item; Otherwise, counted as non-adjustment item.

### 11.4 Inventory system

Inventory system is the perpetual inventory system.

## 12.Long-term equity investment

### 12.1. Category of long-term equity investment

Long-term equity investments are: long-term equity investments on subsidiaries, long-term equity investments on joint enterprises, long-term equity investments on associated enterprises, long-term equity investments on enterprises with little control and influence which is not quoted in the principle market and whose fair value cannot be reliably measured (hereinafter referred to as "other long-term equity investments").

### 12.2 Initial measurement of long-term equity investment

#### 12.2.1 Long-term equity investment formed by corporate merger

For the long-term equity investment formed by corporate merger, if it is the long-term equity investment obtained from the corporate merger under the same control, the share of book value of owner's equity on the merger date shall be taken as the initial investment cost, the difference between the initial investment cost of long-term equity investment and book value of compensatory payment rate shall be adjusted to the share capital premium under the capital reserves; if the share capital premium is not enough to neutralize the difference, it will be adjusted to the retained gains. Directed expenses from corporate merger will be accounted into current gains and losses account when it happened.

The long-term equity investment obtained through the corporate merger under different control shall be taken the assets paid for control power from the bought parties, occurred or undertaken liabilities and the fair value of issued equity bonds as the initial investment cost of long-term equity investment. Direct expenses from corporate merger will be accounted into initial investment cost.

#### 12.2.2 long-term investment obtained from other methods

The long-term equity investment obtained by cash payment shall take the actual amount of payment as initial investment cost. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses. But the cash dividends in purchase payment, which is declared but not yet received, shall be included in a separate account receivable.

The long-term equity investment obtained from issuing the equity bonds shall take the fair value of issued equity bonds as initial investment cost. The initial cost of a long-term equity investment obtained by issuing equity securities shall be recognized at the fair values of the issued equity securities.

The initial cost of a long-term equity investment of an investor shall be recognized at the contractual value, except the contractual value is unfair.

If a long-term investment is obtained by the exchange of non-monetary assets, the transaction possesses commercial nature and the fair values of assets received or surrendered can be measured reliably, the initial cost of the long-term equity investment shall be recognized at the fair values of assets surrendered and the relevant expenses. The balance of fair values and the book values of assets received is included in the current profits and losses.

If the long-term equity investment is obtained by liabilities restructuring, the initial cost of the long-term equity investment shall be recognized by the fair values of equity. The balance of the initial cost of long-term equity investment and book value of claim is included in the current profits and losses.

#### 12.3. Subsequent measurement of a long-term equity investment

For a long term equity investment on the subsidiaries, the Company shall be accounted by the cost method as prescribed by these Standards, and shall make an adjustment by the equity method when it works out consolidated financial statements. The following long-term equity investments of the joint venture and associated enterprises shall be measured by the equity method.

#### 12.4. Recognition of gains/losses of long-term equity investment

The value of a long-term equity investment measured by the cost method shall be recognized at its initial investment cost. The cash dividend or profit enjoyed by invested enterprise that have been announced by investment enterprise shall be recognized as investment income, excluding the actual payment amount of investment while obtaining the investment or the cash dividend or profit that have been announced but have not distributed obtained in the consideration.

Long-term equity investment calculated based on equity method, recognized investment income as well as adjusted the book value of long-term equity investment based on the fair value of recognizable assets of invested enterprises while obtaining the investment. According to the distribution profit or cash dividends that has been announced, calculating the receivable part, decreasing the book value of long-term equity investment correspondingly. Concerning other owners' equity changes of invested enterprises except the net gains/losses, adjusted the book value

of long-term equity investment and accounted into owners' equity.

When disposing a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For the long-term equity investment measured by the equity method, any variations other than the changes of net profits and losses of the investee are included in the owner's equity. The amount of previous long-term equity investment included in the owner's equity shall be transferred to the current profits and losses in a certain proportion.

12.5. Basis of deciding the common control and major influence on the invested enterprise

12.5.1 recognition of invested enterprise with common control

Common controlling means controlling the economic activities jointly according to the contract's regulations. All joint parties made out a investment contract or Agreement that concerning the significant finance and operation strategy-making, all joint parties consent the significant finance and operation strategy-making for approving.

12.5.2 Basis major influence

Major influence refers to the right of decision-making for an enterprise's finance and operational strategy. Therefore, it can not be controlled or controlled with other parties on these strategy making. Generally, if the Company directly/indirectly holds over 20% but lower than 50% voting shares of the invested enterprises through its subsidiaries, shall recognized as major influence on invested enterprises.

12.6. Impairment testing and basis of impairment provision

Impairment testing is performed on the long-term equity investment at each balance sheet date. In case of there is evidence in subsidiaries, joint venture and associated enterprises showing impairment has occurred, the recoverable amount shall be assessed. If the recoverable amount is lower than the book value, the impairment provision shall be provided and accounted into current gains and losses and impairment provision of long-term equity investment. When impairment has occurred in other equity investment, market return of similar financial assets towards the confirmed current value and the book value of investment, their difference shall be recognized as impairment losses that accounted into current gains/losses. Once the impairment loss of a long-term equity investment is recognized, it shall not be written back in subsequent periods.

### **13. Investment real estate**

13.1 Category of investment real estate

Investment real estate divided into rented land use rights, land use right which are held and prepared for transfer after appreciation and the rented buildings.

13.2 Measurement of investment real estate

Investment real estate is measured according to the initial cost; the Company adopts the cost model to have follow-up measurements of the investment real estate. In which the depreciation method and impairment provision recognition of a building shares the same method with fixed assets' calculation, the amortizing method of land use right and impairment provision recognition shares the same method with intangible assets' calculation.

### **14. Fixed assets**

14.1. Recognition of fixed assets

14.1.1 the economic profit of fixed assets that probably inflow into the Company;

14.1.2 cost of this fixed assets can measured reliability.

14.2. Category of fixed assets

The fixed assets of the Company divided into house and buildings, equipment and machinery, transportation equipment, electronic equipment and other equipments.

14.3. Depreciation of various fixed assets

Depreciations on fixed assets shall be accounted by using the method of average life length, the

service life of fixed assets, expected net residual value and the year depreciation rate are as follows:

categories	Depreciation age(year)	Salvage value rate (%)	Annual depreciation ratio (%)
Houses & buildings	35	3	2.77
equipment and machinery	12	3	8.08
transportation equipment	7	3	13.86
electronic equipment	7	3	13.86
other equipments	7	3	13.86

#### 14.4. Impairment test on fixed asset and providing of impairment provision

Impairment testing is performed on fixed assets at each balance sheet day. When evidence showing that impairment has occurred, the recoverable value shall be assessed. The recoverable value of an asset is determined by the higher value between the net amounts of fair value of fixed assets minus disposal expenses and the current value of predicted future cash flow of fixed assets. If the recoverable value of an asset is lower than its book value, the balance shall be provided for impairment provision and accounted into current income account. Once fixed asset impairment is recognized, it shall not be written back in subsequent fiscal periods.

#### 14.5. Basis of deciding the fixed assets from financing rental and its calculation

The financing rental fixed assets recognizable for the following one or more standards:

14.5.1 Ownership of the rental fixed assets has transfer to lessee at the expiry of renting.

14.5.2 The lessee has the option to purchase rental fixed assets, the decision purchase price predicted lower than the fair value of rental fixed assets with option rights, therefore, at the begging of lease, reasonably recognized that the lessee will use the option rights.

14.5.3 though the ownership are not transfer, the time of rental occupied most of the proportion of use life of a rental assets.

14.5.4 The minimum rental payment current value of the lessee at lease date almost equals to the fair value of rental fixed assets at lease date; the minimum rental amount received current value of the lesser at lease date equals to the fair value of rental fixed assets at lease date.

14.5.5 The rental fixed assets have specific natures, only the lessee can use without making greater changes.

At the beginning of leasing, takes the lower ones between fair values of rental fixed assets and minimum rental payment amount as the accounting value for fixed assets rental, the minimum rental payment as the accounting value of a long-term payable, their difference recognized as uncertain financing expenses. The initial directly expenses attributable to rental fixed assets occurred in the leasing negotiation and in the process of signing lease contract shall be accounted into value of rental fixed assts.

While calculating the current value of minimum rental payment, if the interest rate implicit in the lease of the lesser available, the discount rate will be the interest rate implicit in the lease; otherwise, the discount rate will be adopted by the lease contract that have been regulated. If unavailable for the interest rate implicit in the lease and there is no rate regulated in lease contract, the discount rate will adopt the loan rate from the bank at the same period. Uncertain financing expenses adopt the actual rate for amortizing in every period of leasing.

The depreciation of rental fixed assets will share the same policy with self-owned depreciable fixed assets. If the ownership of rental fixed assets can reasonable recognized, accruing the depreciation in the use life of this rental fixed assets. Otherwise, take the shorter time between them for accruing depreciation. Contingent rent accounted into current gains/losses when it happened actually.

#### 14.6. Subsequent expenditures of fixed assets

Subsequent expenditures of fixed assets refer to the expenditures and fitting fees in the process of renewal during the use life of a fixed asset. If the subsequent expenditures of fixed assets comply

with the requirements of fixed assets, they should be accounted into cost of fixed assets, at the mean time deducted the book value of the replaced part; if not comply with the requirement, accounted into current gains and losses.

### **15. Construction-in-progress**

The construction-in-progress divided into pre-construction preparation, engineering in progress, setting engineering, technology reformed engineering and overhaul engineering etc. and the cost of construction in process is determined at practical construction expenditures. The construction will be transferred to fixed asset with relative expenses occurred as soon as the construction reaches the useful status.

At the balance sheet date, as to construction in process which is long-term suspended and will not be re-started in three years, its loss accounted into Construction-in-progress impairment losses shall be calculated by the variance between the recoverable amount and the book value.

### **16. Borrowing expenses**

The borrowing expenses shall include interests on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing expenses 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 expenses shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

#### **16.1 Conditions of capitalization**

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

16.1.1 The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;

16.1.2 The borrowing costs has already incurred; and

16.1.3 The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

#### **16.2 Recognition of capitalized amounts**

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

#### **16.3 Capitalize cost suspension**

Where the acquisition and construction or production of a qualified fixed asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the current profits and losses, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified fixed asset under acquisition and construction or production to be ready for the

intended use or sale, the capitalization of the borrowing costs shall continue.

#### 16.4 Cease to capitalize cost

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after the qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses at the incurred amount when they are incurred, and shall be recorded into the current profits and losses.

### 17. Intangible assets

Intangible assets consist of intangible assets with limited useful life and those intangible assets with uncertain useful life.

#### 17.1 Measurement of intangible assets

The intangible assets shall be initially measured according to its actual cost.

The cost of self-developed intangible assets shall include the total expenditures incurred during the period from the time when it meets the provisions of certain standards to the time when the expected purposes of use are realized.

#### 17.2 Amortization of intangible assets

17.2.1 With regard to intangible assets with limited service life, its amortization amount shall be amortized within its service life systematically and reasonably. If it is unable to determine the expected realization pattern reliably, intangible assets shall be amortized by the straight-line method.

17.2.2 Intangible assets with uncertain service life may not be amortized.

#### 17.3 The impairment of intangible assets

Impairment tests should be conducted towards intangible assets and intangible assets reached no the useful status with uncertain service life at the balance sheet day.

For intangible assets with limited life, at the balance sheet day, where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. If the recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses of intangible asset impairment and be recorded as the current profits and losses. Simultaneously, a provision for the asset impairment shall be made accordingly.

Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

### 18. Amortization policy of long-term prepaid expenses

Determine a reasonable benefit period for Long-term prepaid expenses, and amortize it according to its average benefit period. Concerning the Long-term prepaid expenses with undetermined reasonable benefit period shall amortize it according to its average benefit period of no longer than 10 years.

### 19. Employee remuneration

The term "employee remuneration" refers to all kinds of payments and other relevant expenditures given by enterprises in exchange of the services offered by the employees. The employee remuneration shall include: (1) Wages, bonuses, allowances and subsidies for the employees; (2) Welfare expenses for the employees; (3) Medical insurance, endowment insurance, unemployment insurance, work injury insurance, maternity insurance and other social insurances; (4) Housing accumulation fund; (5) Labor union expenditure and employee education expenses; (6) Non-monetary welfare; (7) Compensations for the cancellation of the labor relationship with the employees; and (8) Other relevant expenditures of services offered by the employees.

During the accounting period of an employee' providing services to an enterprise, the enterprise



shall recognize the remuneration payable as liabilities. Except for the remuneration for the cancellation of the labor relationship with the employee, the enterprise shall, in accordance with beneficiaries of the services offered by the employee, treat this liabilities as the product costs and service costs; construction costs of fixed asset; costs of intangible assets and the current profits or losses.

## **20. Predicted debts**

The obligation pertinent to contingencies shall be recognized as estimated debts when the following conditions are satisfied simultaneously:

20.1 That obligation is a current obligation of the enterprise;

20.2 It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and

20.3 The amount of the obligation can be measured in a reliable way.

The predicted debt use the optimum number needed in the current obligations of implement for initial measurement. The discharge of predicted debts that needs wholly or partial predicts by the third party for compensation, compensation amount considered as assets inclusively when recoverable basic confirmed. The confirmed compensation amount should not exceed the book value of predicted debts.

If the obligation of a losses contract and undertaken reconstruction obligations meets the requirement of the abovementioned conditions, recognized as predicted debts. Promise to selling partial business (namely signed the agreement of restricting sales) shall be confirmed as reconstruction liability due to the reconstructed.

## **21. Income**

21.1 No revenue from selling goods may be recognized unless the following conditions are met simultaneously:

21.1.1 The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise;

21.1.2 The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;

21.1.3 The relevant amount of revenue can be measured in a reliable way;

21.1.4 The relevant economic benefits may flow into the enterprise; and

21.1.5 The relevant costs incurred or to be incurred can be measured in a reliable way.

21.2 If an enterprise can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage of-completion method.

The company adopted the method which applied the proportion of the costs incurred against the estimated total costs to measure the work completed.

If an enterprise can not, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: a. If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; or b. If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

21.3 No revenue from abalienating of right to use assets may be recognized unless the relevant economic benefits are likely to flow into the enterprise. 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. The amount of royalty revenue should be measured and

confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

## **22. Government Subsidies**

A government subsidy means the monetary or non-monetary assets obtained free by an enterprise from the government, but excluding the capital invested by the government as the owner of the enterprise. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

Asset-related government subsidies are recognized as deferred income and accounted into the successive period's non-operating income account since the relative assets reached the predicted useful status. The relative assets have been sell-out, transfer, condemned or damaged before the useful life expire, the un-neutralized balance of deferred income shall be accounted into non-operating income of current assets disposal.

The government subsidies pertinent to incomes, which are used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current non-operating income during the period when the relevant expenses are recognized while which are used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current non-operating income.

## **23. deferred income tax assets and deferred income tax liabilities**

Where there is any difference (temporary) between the carrying amount of an asset or liability and its tax base, it shall be recognized as a deferred income tax liability or deferred income tax asset according to the present Standards. At the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled

For those taxable provisional differences related to investments in subsidiaries, joint ventures and affiliated enterprises, if the Company is able to control the writing back time of the provisional differences, and these provisional differences may neither be written back in an expectable future, are not recognized as relative deferred income tax liabilities.

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

For those deductible provisional differences related to investments in subsidiaries, joint ventures and affiliated enterprises, if these provisional differences may be written back in an expectable future and may obtained taxable income used to deduct provisional differences in future possibly, are recognized as relative deferred income tax assets.

Those tax deductions which can be used to deduct losses and can be carried on to future years, to the extend of the amount of taxable income used to deduct the deducible losses and deductible tax which can possibly be obtained, are recognized as corresponding deferred income tax assets.

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

### **24.1. Changes in accounting policies**

There were no important changes in accounting policies of the Company in this reporting period.

### **24.2. Changes in accounting estimates**

There were no important changes in accounting estimates of the Company in this reporting period.

## **25. Error correction of previous accounting**

There are no error corrections for previous period.

## Note 3. Taxations

The types of tax applicable to the Company, and their tax rates are as follows:

Type	Tax base	Rate %
VAT	Added value of sold goods	17
	Value of services	17
Operation tax	Operation turnover	5
City maintaining & construction tax	Taxable turnover	7
Corporation income tax	Taxable income	24

\* The Company originally was the Dweller-Enterprises which enjoyed 15% Enterprise Income Tax, in accordance with Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law (Decree No. [2007] 39), the Company would gradually transit to statutory rate after 5 years of the implementation of New Income Tax Law, in which 18% tax rate was adopted for year 2008, 20% tax rate for year 2009, 22% tax rate for year 2010, 24% tax rate for year 2011 and 25% tax rate for year 2012.

Note 4. **Enterprise consolidation and consolidated financial statements**

## 1. Information of subsidiaries

## 1.1. Conditions of subsidiaries under the same control (Expressed in RMB 10,000 Yuan)

Name of subsidiary	Type of subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment amount at period-end	Holding proportion %	Voting proportion %	Consolidated statement Yes/No
Shenzhen Automobile Industry and Trading Company (The Automobile Industry and Trading)	Wholly-owned subsidiary	Shenzhen	Business industry	5896	Automobile and accessories selling	12625	100	100	Yes
Shenzhen SD Huari Automobile Enterprise Co. Limited (The Hua Ri )	Holding subsidiary	Shenzhen	Service industry	USD500	Automobile maintenance & production and sales of accessories	1922	60	60	Yes
Shenzhen Zhongtianye Industry Co. Ltd (The Zhongtian)	Wholly-owned subsidiary	Shenzhen	Service industry	725	Leasing	1070	100	100	Yes

Shenzhen Huari Toyota Automobile Co. Ltd (The Huari Toyota)	Holding subsidiary	Shenzhen	Business industry	200	Automobile selling	181	60	60	Yes
Huari Anxin Automobile Inspection Ltd in Shenzhen (Anxing Inspection)	Holding subsidiary	Shenzhen	Service industry	150	Automobile inspection	150	0	60	Yes
Shenzhen Automotive Industry Supply Corporation (Supply Company)	Wholly-owned subsidiary	Shenzhen	Service industry	1111	Motor vehicles and parts, chemicals, instruments	648	0	100	Yes

## 1.2. Conditions of subsidiaries consolidated by other means (Expressed in 10,000 RMB Yuan)

Name of subsidiary	Type of subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment amount at period-end	Holding proportion%	Voting proportion%	Consolidated statement Yes/No
Shenzhen Teli Xinyongtong Automobile Development Co. Ltd (The Xinyongtong)	Wholly-owned subsidiary	Shenzhen	Service industry	3290	Automobile inspection & repair	5767	100	100	Yes
Shenzhen SD Teli Property Management Co. Ltd (The Teli Property)	Wholly-owned subsidiary	Shenzhen	Service industry	705	Property management	502	100	100	Yes
Shenzhen SD Teli Real Estate Co. Ltd (The Real Estate)	Wholly-owned subsidiary	Shenzhen	Manufacturing industry	3115	Real estate development	3115	100	100	Yes
Shenzhen Teli Real Estate Exchange Co. Ltd (The Exchange)	Wholly-owned subsidiary	Shenzhen	Service industry	200	Real estate agent	200	100	100	Yes
Shenzhen Xinyongtong Automobile Inspection Equipment Co. Ltd (The Inspection)	Holding subsidiary	Shenzhen	Service industry	1961	Production of automobile inspection equipment	1000	51	51	Yes
Shenzhen Fairmont Yong Tong Motor	Holding subsidiary	Shenzhen	Service industry	150	Motor vehicle inspection	143	0	95	Yes

Vehicle Inspection Limited (Fairmont Detection)									
Shenzhen New Yong Tong Dongxiao Automobile Inspection Limited (Dongxiao detection)	Holding subsidiary	Shenzhen	Service industry	150	Comprehensive performance testing of road transport vehicles	143	0	95	Yes
Shenzhen Baoan Shiquan Industrial Co., Ltd. (hereinafter referred Shiquan Company)	Wholly-owned subsidiary	Shenzhen	Business industry	200	In industrial, supply of domestic business and marketing materials	150	0	100	Yes
Shenzhen Tefa Tellus Real Estate Company in Huizhou Inc. (Huizhou Company)	Wholly-owned subsidiary	Huizhou	Manufacturing industry	400	Real Estate Development and Management	309	0	100	Yes

## 2. Condition of shareholders' equity of minority of subsidiaries

Name of subsidiary	Proportion of the share held%	Minority interests	Amount of written down in gains/losses of minority shareholders
Shenzhen SD Huari Automobile Enterprise Co., Limited	40%	18,640,775.05	--
Shenzhen Huari Toyota Automobile Co., Ltd.	40%	2,532,041.19	--
Shenzhen Xinyongtong Automobile Inspection Equipment Co., Ltd.	49%	3,432,653.76	--
Shenzhen Fairmont Yongtong Motor Vehicle Inspection Co., Ltd.	5%	-161,192.98	--
Shenzhen New Yong Tong Dongxiao Automobile Inspection Limited (Dongxiao Detection)	5%	-52,248.26	--
<b>Total</b>		<b>24,392,028.76</b>	<b>--</b>

(I) Subjects with special purpose or business entity whose control right formed in way of entrusted operation or lease

Naught

(II) Change of consolidated scope during the reporting period

There is on changes in consolidated scope during the 1<sup>st</sup> half year of 2011

**Note 5. Notes to main items of financial statements****1. Monetary fund**

Category	Amount at period-end			Amount at period-beginning		
	Original currency	Exchange rate	RMB conversion	Original currency	Exchange rate	RMB conversion
Cash						
RMB	201,561.70	1.0000	201,561.70	159,780.96	1.0000	159,780.96
HKD	28,866.19	0.8516	24,581.34	42,092.83	0.8509	35,816.79
USD	1433	6.7232	9,634.31	1433	6.6227	9,490.33
JPY	250,826.00	0.0813	20,382.12	311,685.00	0.0813	25,327.52
<b>Subtotal</b>			<b>256,159.47</b>			<b>230,415.60</b>
Bank Deposit						
RMB	59,060,103.82	1.0000	59,060,103.82	68,519,934.16	1.0000	68,519,934.16
HKD	26,132.00	0.8509	22,235.72	176,934.16	0.8509	150,553.28
USD	29,805.30	6.6227	197,391.58	29,833.79	6.6227	197,580.24
<b>Subtotal of bank deposit</b>			<b>59,279,731.12</b>			<b>68,868,067.68</b>
<b>Other monetary fund</b>	58,130.21	1.0000	<b>58,130.21</b>	24,496.56	1.0000	<b>24,496.56</b>
<b>Total</b>			<b>59,594,020.80</b>			<b>69,122,979.84</b>

Current deposit non-recognized as cash and cash equivalent as at 30 June 2011:

Deposit bank	currency	deposit amount	Deposit term	rate	notes
SPD Bank Shenzhen Fuhua Branch	RMB	3,000,000.00	3 months	2.85%	Un-pledge
SPD Bank Shenzhen Fuhua Branch	RMB	2,000,000.00	6 months	3.05%	Un-pledge

## 2. Accounts receivable

### 2.1 classified by categories

Categories	Amount at period-end				Amount at period-beginning			
	Bool balance		Bad debt provision		Bool balance		Bad debt provision	
	Amount	Proportion	Amount	Accruing proportion	Amount	Proportion	Amount	Accruing proportion
Account receivable with single minor amount and withdrawal bad debt provision singlely	20,131,654.12	41.19%	20,131,654.12	100.00%	20,131,654.12	39.55%	20,131,654.12	100.00%
Account receivable of bad debt provision withdrawal by combination(Age)	11,547,776.10	23.62%	4,729,390.24	40.95%	13,561,376.87	26.65%	4,729,390.24	34.87%
Account receivable with single minor amount but withdrawal bad debt provision singelly	17,202,325.47	35.19%	17,202,325.47	100.00%	17,202,325.47	33.80%	17,202,325.47	100.00%
<b>Total</b>	<b>48,881,755.69</b>	<b>100.00%</b>	<b>42,063,369.83</b>	<b>86.05%</b>	<b>50,895,356.46</b>	<b>100.00%</b>	<b>42,063,369.83</b>	<b>82.65%</b>

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

Age	Amount at period-end			Amount at period-beginning		
	Amount	Proportion	Bad debt provision	Amount	Proportion	Bad debt provision
within 1 year	1,631,543.24	14.13%	-	2,759,019.87	20.35%	-
1-2 years	549,677.87	4.76%	94,365.48	877,963.40	6.47%	43,898.17
2-3 years	1,136,436.96	9.84%	206,136.34	922,349.10	6.80%	184,469.82
Over 3 years	8,230,118.03	71.27%	4,428,888.42	9,002,044.50	66.38%	4,501,022.25
<b>Total</b>	<b>11,547,776.10</b>	<b>100.00%</b>	<b>4,729,390.24</b>	<b>13,561,376.87</b>	<b>100.00%</b>	<b>4,729,390.24</b>

Single item with major amount in period-end or the account receivable of bad debt provision by solely impairment testing for single item with minor amounts



Name of the companies	Content	Book balance	Bad debt provision	Accruing proportion	Accruing reasons
Da Dong Co.,	Rent	801,380.16	801,380.16	100.00%	Unrecovered predicted due to long age account
Qinling Auto Co.,	Loans	695,848.00	695,848.00	100.00%	Unrecovered predicted due to long age account
Shanghai Auto Industrial Marketing Co.,	Loans	641,341.90	641,341.90	100.00%	Unrecovered predicted due to long age account
China Auto Trading Guangzhou Co.,	Loans	558,000.00	558,000.00	100.00%	Unrecovered predicted due to long age account
Guangdong Materials Group Auto Trading Co.,	Loans	395,400.00	395,400.00	100.00%	Unrecovered predicted due to long age account
Yunnan Lanjian Plant	Loans	389,640.00	389,640.00	100.00%	Unrecovered predicted due to long age account
Guangdong Materials Trading Center	Loans	387,000.00	387,000.00	100.00%	Unrecovered predicted due to long age account
Other units		13,333,715.41	13,333,715.41	100.00%	Unrecovered predicted due to long age account
<b>Total</b>		<b>17,202,325.47</b>	<b>17,202,325.47</b>	<b>100.00%</b>	

(2) In this reporting period, there were no accounts with actual cancel after verification.

(3) There is no balance of accounts receivable due from shareholders holding 5% (including 5%) voting shares at the end of period end.

(4) Top 5 receivables in owed accounts as at 30 June 2010:

Name of the company	Relationship with the Company	Amount	Proportion in total amount%	Age
Shenzhen Jinlu Industry and Trading Co., Ltd.	External units	9,846,607.00	20.14%	Over 5 years
GD Zhanjiang Three Stars Automobile Holdings Co., Ltd.	External units	4,060,329.44	8.31%	Over 5 years
General Products of Guangdong Holdings Company	External units	1,862,000.00	3.81%	Over 5 years
Jiang Ling Plant	External units	1,191,059.98	2.44%	Over 5 years
Yangjiang Automobile Trading Co., Ltd.	External units	1,150,000.00	2.35%	Over 5 years
<b>Total</b>		<b>18,109,996.42</b>	<b>37.05%</b>	

(5) Accounts receivable of related parties in period-end balance could be seen from Note VI 7.

### 3. Accounts paid in advance

#### 3.1 Classified according to age

Age	Amount at period-end		Amount at period-beginning	
	Amount	Proportion	Amount	Proportion
Within 1 year	7,570,968.01	96.63%	10,003,519.14	97.96%
1-2 years	136,117.94	1.74%	173,671.75	1.70%
2-3 years	111,063.89	1.42%	35,180.79	0.34%
Over 3 years	16,160.79	0.21%	-	-
<b>Total</b>	<b>7,834,310.63</b>	<b>100.00%</b>	<b>10,212,371.68</b>	<b>100.00%</b>

## (2) Condition of top 5 companies in account paid in advance

Name of the company	amount	Proportion in total amount%	Age	Reasons
FAW TOYOTA Motor Sales Co., Ltd.	5,465,972.97	69.77%	within 1 year	Not receiving the commodities
Toyota Motor (China) Investment Co., Ltd.	1,074,633.61	13.72%	within 1 year	Not receiving the commodities
Dongguan Guangtong Trading Co.,	115,550.00	1.47%	1-2 years	handling no settlement procedures
Zhejiang Qingtian Lishengda Machine Co.,	72,500.00	0.93%	over 3 years	handling no settlement procedures
Shenzhen Guardian Technology Co.,	42,968.64	0.55%	within 1 year	handling no settlement procedures
<b>Total</b>	<b>6,771,625.22</b>	<b>86.44%</b>		

(3) There is no balance of accounts paid in advance due from shareholders holding 5% (including 5%) voting shares at the end of the reporting period.

(4) There is no balance of accounts paid in advance for associates.

## 4. Other receivables

## 4.1 Classified according to category

Category	Amount at period-end							
	Bool balance		Bad debt provision		Bool balance		Bad debt provision	
	Amount	Proportion	Amount	Accruing proportion	Amount	Proportion	Amount	Accruing proportion
Account receivable with single minor amount and withdrawal bad debt provision singly	35,629,566.55	49.63%	35,629,566.55	100.00%	35,629,566.55	55.29%	35,629,566.55	100.00%
Account receivable of bad debt provision withdrawal by combination(Age)	30,425,408.04	42.38%	9,330,349.34	30.67%	23,073,514.58	35.80%	9,330,349.34	40.44%
Account receivable with single minor amount but withdrawal bad debt provision singly	5,740,656.56	8.00%	5,740,656.56	100.00%	5,740,656.56	8.91%	5,740,656.56	100.00%
<b>Total</b>	<b>71,795,631.15</b>	<b>100.01%</b>	<b>50,700,572.45</b>	<b>70.62%</b>	<b>64,443,737.69</b>	<b>100.00%</b>	<b>50,700,572.45</b>	<b>78.67%</b>

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

Age	Amount at period-end			Amount at period-beginning		
	Amount	Proportion	Bad debt provision	Amount	Proportion	Bad debt provision
within 1 year	8,627,895.76	28.36%	-	2,859,411.37	12.40%	-
1-2 years	2,066,315.65	6.79%	36,458.49	1,119,321.40	4.85%	55,966.07
2-3 years	1,365,346.96	4.49%	156,316.23	910,025.45	3.94%	182,005.09
Over 3 years	18,365,849.67	60.36%	9,137,574.62	18,184,756.36	78.81%	9,092,378.18
<b>Total</b>	<b>30,425,408.04</b>	<b>100.00%</b>	<b>9,330,349.34</b>	<b>23,073,514.58</b>	<b>100.00%</b>	<b>9,330,349.34</b>

Single item with major amount in period-end or the account receivable of bad debt provision by solely impairment testing for single item with minor amounts

Name of the companies	Content	Book balance	Bad debt provision	Accruing proportion	Accruing reasons
Hua Shengchang Motor Co., Ltd.	Loans	463,912.46	463,912.46	100.00%	Unrecovered predicted due to long age account
Renmin North Branch of ABC	Rent	247,219.98	247,219.98	100.00%	Unrecovered predicted due to long age account
Account for house purchase from staff	account for house	217,892.57	217,892.57	100.00%	Unrecovered predicted due to long age account
Liang Rongde		182,133.26	182,133.26	100.00%	Unrecovered predicted due to long age account
Shensha Industrial & Trading Co.,	Rent	134,835.20	134,835.20	100.00%	Unrecovered predicted due to long age account
Chengdu Airplane Desine Institution		130,000.00	130,000.00	100.00%	Unrecovered predicted due to long age account
Other units		4,364,663.09	4,364,663.09	100.00%	Unrecovered predicted due to long age account
<b>Total</b>		<b>5,740,656.56</b>	<b>5,740,656.56</b>	<b>100.00%</b>	

(2) In this reporting period, there were no other accounts with actual cancel after verification.

(3) There is no balance of other accounts receivable due from shareholders holding 5% (including 5%) voting shares at the period-end.

(4) The other top 5 accounts receivable:

Name of the company	natures or content	Amount	Proportion in total amount %	Age
Zhongqi South Corporation	Current account	9,832,956.37	13.70%	Over 3years
South Industry&Trading Industry Co., Ltd.	Current account	7,359,060.75	10.25%	Over 3years
Shenzhen Tellus Motor Service Chain Co., Ltd.	Borrowings and investment income	7,187,829.60	10.01%	Over 4years
Shenzhen Zhonghao Corporation	Borrowing guarantee duty	5,000,000.00	6.96%	Over 3years
Shenzhen Kaifeng Special Auto Industry Co.,	Borrowings	4,413,728.50	6.15%	Over 3years
<b>Total</b>		<b>33,793,575.22</b>	<b>47.07%</b>	

(5) Balance of other accounts receivable of the related party's account at period-end see more details in 7 under Note 6.

## Inventory

Items	Amount at period-end			Amount at period-beginning		
	Amount	Depreciation provision	Net amount	Amount	Depreciation provision	Net amount
Raw material	8,161,986.02	5,161,245.85	3,000,740.17	7,803,134.67	5,161,245.85	2,641,888.82
Low value consumption goods	19,594.16	-	19,594.16	25,189.68	-	25,189.68
Inventory goods	30,268,974.14	13,040,368.05	17,228,606.09	32,357,337.82	13,040,368.05	19,316,969.77
Products in progress	7,093,168.70	4,031,262.45	3,061,906.25	7,093,168.70	4,031,262.45	3,061,906.25
<b>Total</b>	<b>45,543,723.02</b>	<b>22,232,876.35</b>	<b>23,310,846.67</b>	<b>47,278,830.87</b>	<b>22,232,876.35</b>	<b>25,045,954.52</b>

## 6. Financial assets available for sale

Item	Amount at period-end	Amount at period-beginning
Equity instrument available for sale	1,507,390.50	1,483,077.75
Inc: Shares of China Merchant Bank	1,507,390.50	1,483,077.75
<b>Total</b>	<b>1,507,390.50</b>	<b>1,483,077.75</b>

## 7. Held-to-maturity investment

Item	Amount at period-end	Amount at period-beginning
Treasury bonds	121,300.00	121,300.00
<b>Total</b>	<b>121,300.00</b>	<b>121,300.00</b>

## 8. Long-term equity investment

Invested company name	Initial investment cost	Amount at period-beginning	Change of increase/decrease	Amount at period-end	Proportion of shares held (%)	Proportion of votings rights held (%)	Proportion for impairment	Cash bonus this term
<b>I. Joint ventures calculated based on equity method</b>								
Shenzhen Tellus GEM Investment Co., Ltd.	28,352,480.00	26,290,773.52	-496,350.00	25,794,423.52	50.00	50.00	-	-
Shenzhen Telixing Investment Co., Ltd.	13,600,000.00	8,408,572.65	-3,265.60	8,405,307.05	50.00	50.00	-	-
<b>Subtotal</b>	<b>41,952,480.00</b>	<b>34,699,346.17</b>	<b>-499,615.60</b>	<b>34,199,730.57</b>			-	-
<b>II. Affiliated enterprises calculated based on equity method</b>								
Shenzhen Xinglong Mechanical Mould Co., Ltd.	2,400,000.00	6,443,032.32	24,000.00	6,467,032.32	30.00	30.00	-	-
Shenzhen Tellus Automobile Services Development Co., Ltd.	800,000.00	-	-	-	40.00	40.00	-	-
Shenzhen Renfu Tellus Automobiles Services Co., Ltd.	10,500,000.00	61,254,752.65	-949,900.00	60,304,852.65	35.00	35.00	-	5,250,000.00
Shenzhen Automobile Industry Import and Export Co., Ltd.	4,737,500.00	8,192,850.70	-170,444.09	8,022,406.61	35.75	35.75	-	-
Shenzhen Dongfeng Automobile Co., Ltd.	14,527,044.85	16,261,580.65	349,219.52	16,610,800.17	25.00	25.00	-	-
Shenzhen Xinyongtong Test Technology Co., Ltd.	496,000.00	550,385.68	-	550,385.68	31.00	31.00	-	-
Shenzhen Xinyongtong Oil Pump	155,000.00	148,127.99	-	148,127.99	31.00	31.00	-	-
Shenzhen Xinyongtong Automobile Service Co., Ltd.	300,000.00	217,070.84	-	217,070.84	31.00	31.00	-	-
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	175,000.00	175,287.81	-	175,287.81	31.00	31.00	-	-
Shenzhen Xinyongtong Xinda Test Equipment Co., Ltd.	400,000.00	301,639.97	-	301,639.97	40.00	40.00	-	-
Shenzhen Xinyongtong Consulting Co., Ltd.	48,000.00	48,241.57	-	48,241.57	30.00	30.00	-	-
Shenzhen Tellus Xinyongtong Auto Service Co.,	504,000.00	-	-	-	18.00	18.00	-	-
<b>Subtotal</b>	<b>35,042,544.85</b>	<b>93,592,970.18</b>	<b>-747,124.57</b>	<b>92,845,845.61</b>			-	<b>5,250,000.00</b>

Invested company name	Initial investment cost	Amount at period-beginning	% )	Amount at period-end	Proportion of shares held (%)	Proportion of voting rights held (%)	Depreciation provision	Cash bonus this term
<b>III. Other equity investment calculated based on cost</b>								
China Pufa Machine Industry General Company	10,176,617.20	10,176,617.20	-	10,176,617.20	5.30	5.30	-	-
Hunan Changyang Industry Co., Ltd.*1	6,900,000.00	1,810,540.70	-	1,810,540.70	36.55	36.55	1,810,540.70	-
Shenzhen Hanli High-tech Pottery Co., Ltd.*1	3,466,000.00	1,956,000.00	-	1,956,000.00	80.00	80.00	1,956,000.00	-
Shenzhen Jiecheng Electronics Co., Ltd.*1	3,150,000.00	3,225,000.00	-	3,225,000.00	45.00	45.00	3,225,000.00	-
Shenzhen Jingwei Industry Co., Ltd.	4,000,000.00	4,000,000.00	-	4,000,000.00	12.50	12.50	4,000,000.00	-
Shenzhen (Moscow) Co., Ltd.	825,000.00	825,000.00	-	825,000.00	7.00	7.00	825,000.00	-
Wuhan Weite Hotel	640,000.00	640,000.00	-	640,000.00			640,000.00	-
Shenzhen Xiandao Chemistry New Material Co., Ltd.*1	7,256,401.38	4,751,621.62	-	4,751,621.62	40.00	40.00	4,751,621.62	-
Shenzhen Petrochemical (Group) Co., Ltd.	700,000.00	700,000.00	-	700,000.00	10万股	10万股	700,000.00	-
Southern Automobile Maintenance Center*1	6,700,000.00	6,700,000.00	-	6,700,000.00	100.00	100.00	6,700,000.00	-
China Automobile Industry Shenzhen Trade Corporation*1	400,000.00	400,000.00	-	400,000.00	40.00	40.00	400,000.00	-
Shenzhen General Standard Fittings Co., Ltd.*1	500,000.00	500,000.00	-	500,000.00	25.00	25.00	500,000.00	-
Shenzhen Huoju Spark Plug Industry Co./.*1	17,849.20	17,849.20	-	17,849.20	49.00	49.00	17,849.20	-
China Automobile Southern Sales Corporation*1	2,250,000.00	2,250,000.00	-	2,250,000.00	49.00	49.00	2,250,000.00	-
Electrical Bicycle Project	600,000.00	600,000.00	-	600,000.00	11.10	11.10	600,000.00	-
Shenzhen South Automobile Trade Investment Co., Ltd.	11,710,000.00	11,710,000.00	-	11,710,000.00	14.73	14.73	-	-
Shenzhen Gold Crane Standard Fittings Mould Co., Ltd.	453,440.00	453,440.00	-	453,440.00	15.00	15.00	453,440.00	-
China Automobile Training Center	600,000.00	600,000.00	-	600,000.00	6.25	6.25	600,000.00	-
Shenzhen Bailiyuan Electrical Source Co., Ltd.*1	1,320,000.00	1,320,000.00	-	1,320,000.00	25.00	25.00	1,320,000.00	-
Mini-Dragon (Zeng Wengang)	162,000.00	162,000.00	-	162,000.00	6.25	6.25	162,000.00	-
Shenzhen Yimin Automobile Trade Company	200,001.10	200,001.10	-	200,001.10			200,001.10	-
Shenzhen Basic Transportation Machinery Co., Ltd.	302,368.57	302,368.57	-	302,368.57	15.00	15.00	-	-
Hong Kong Rishen International Co., Ltd.	145,800.00	145,800.00	-	145,800.00	7.50	7.50	145,800.00	-
<b>Subtotal</b>	<b>62,475,477.45</b>	<b>53,446,238.39</b>	-	<b>53,446,238.39</b>			<b>31,257,252.62</b>	-
<b>Total</b>	<b>139,470,502.30</b>	<b>181,738,554.74</b>	<b>-1,246,740.17</b>	<b>180,491,814.57</b>			<b>31,257,252.62</b>	<b>5,250,000.00</b>

1. This series companies had stopped operation. The Company hadn't any significant impact on them and accrued total amount provision for bad debts.

## 9. Investment real estate

### 9.1 investment real estate measured by cost model

Item	Amount at period-beginning	increaed in this term	decrease in this term	Amount at period-end
<b>Original value</b>				
House&building	181,002,443.71	-	-	181,002,443.71
<b>Total</b>	181,002,443.71	-	-	181,002,443.71
<b>Accumulative depreciation</b>				
House&building	67,341,960.30	2,619,607.50	-	69,961,567.80
<b>Total</b>	67,341,960.30	2,619,607.50	-	69,961,567.80
<b>Book value</b>				
House&building	113,660,483.41			111,040,875.91
<b>Total</b>	<b>113,660,483.41</b>			<b>111,040,875.91</b>

### 9.2 Mortgage investment real estate at period-end

Items been mortgaged	Original value at period-end	Net value at period-end
F/1 to F/4 and F/27 to F/29 of Tellus building	23,961,792.74	16,910,394.06
421 factory building in Bagualing	33,917,679.95	24,438,940.73
Dongfeng building	9,640,803.22	6,972,670.75
Machine Processing Workshop	9,458,559.68	3,887,784.71
Riveting Workshop	4,455,052.22	1,186,966.81
5#,6# and 7# Block in Buxin	7,379,753.13	3,690,410.69
F/6to F/7 of 10#Block in Buxin	3,231,493.46	1,665,758.43
3#Factory building in Buxin	67,503,936.40	43,532,326.73
21# office building,underground to 2/f norther forward	1,815,996.00	569,033.34
5# to 7# Factory building in Buxin	6,377,742.29	2,456,432.09
<b>Total</b>	<b>167,742,809.09</b>	<b>105,310,718.34</b>



## 10. Fixed assets

Original value				
House & buildings	273,866,730.28	-	-	273,866,730.28
Machinery equipment	19,414,912.00	442,136.75	-	19,857,048.75
Transportation equipment	7,703,613.40	-	-	7,703,613.40
Electric equipment	8,631,927.84	145,306.27	-	8,777,234.11
Other equipment	8,280,694.21	31,140.96	-	8,311,835.17
Fitting fee for owned buildings	3,008,152.86	-	-	3,008,152.86
<b>Total</b>	<b>320,906,030.59</b>	<b>618,583.98</b>	<b>-</b>	<b>321,524,614.57</b>
Accumulative depreciation				
House & buildings	106,990,738.80	4,271,072.36	-	111,261,811.16
Machinery equipment	15,662,012.88	188,328.78	-	15,850,341.66
Transportation equipment	5,458,055.99	322,910.10	-	5,780,966.09
Electric equipment	6,373,784.47	310,042.26	-	6,683,826.73
Other equipment	6,890,865.73	137,225.30	-	7,028,091.03
Fitting fee for owned buildings	1,902,237.85	156,287.60	-	2,058,525.45
<b>Total</b>	<b>143,277,695.72</b>	<b>5,385,866.40</b>	<b>-</b>	<b>148,663,562.12</b>
Less: provision of impairment				
House & buildings	3,555,385.70	-	-	3,555,385.70
Machinery equipment	650,147.31	-	-	650,147.31
Other equipment	22,029.00	-	-	22,029.00
<b>Total</b>	<b>4,227,562.01</b>	<b>-</b>	<b>-</b>	<b>4,227,562.01</b>
Book value				
House & buildings	163,320,605.78			159,049,533.42
Machinery equipment	3,102,751.81			3,356,559.78
Transportation equipment	2,245,557.41			1,922,647.31
Electric equipment	2,258,143.37			2,093,407.38
Other equipment	1,367,799.48			1,261,715.14
Fitting fee for owned buildings	1,105,915.01			949,627.41
<b>Total</b>	<b>173,400,772.86</b>			<b>168,633,490.44</b>

10.1 The fixed assets with original book value amount of RMB 25900,000 and net value of RMB 17570,000 have been mortgaged to bank.

10.2 Ended at 30 June 2011, the Company had not applied or obtained the Property Certificates of the house and buildings with book values of RMB Yuan 194,540,000 and net values of RMB Yuan 117470,000. The time for obtained the Property Certificate un-predicted due to the historical retained reasons.

10.3 Ended as 30 June 2011, the Company has no the significant fixed assets fully useless, no the significant fixed assets held prepared to sold and no the fixed assts rented by financing tenancy.

## 11. Construction in process

Item	Amount at period-end			Amount at period-beginning		
	Book balance	Depreciation provision	Net amount at period-end	Book balance	Depreciation provision	Net amount at period-end
Jewelry Industry Zone	922,279.81	-	922,279.81	-	-	-
Total	<b>922,279.81</b>	-	<b>922,279.81</b>	-	-	-

## 12. Intangible assets

Category	Way of obtaining	Amount at period-beginning	Increase in this term	Decrease in this term	Amount at period-end
Original value					
Trademark right	purchase	75,000.00	-	-	75,000.00
Software	purchase	250,000.00	-	-	250,000.00
<b>Total of original value</b>		<b>325,000.00</b>			<b>325,000.00</b>
Accumulative amortizing					
Trademark right		19,244.96	3,750.00	-	22,994.96
Software		84,166.58	24,999.96	-	109,166.54
<b>Total of accumulative amortizing</b>		<b>103,411.54</b>	<b>28,749.96</b>		<b>132,161.50</b>
Less: Impairment provision of intangible assets		-			-
<b>Book value of intangible assets</b>		<b>221,588.46</b>			<b>192,838.50</b>

## 13. Long-term deferred expenses

Item	Amount at period-beginning	Increase in this term	Amortizing	Written back	Amount at period-end
Fitting expenses	139,407.62	-	21,552.96	-	117,854.66
Hotel facilities	371,919.34	-	92,979.84	-	278,939.50
Following-up restructure fee	424,092.04	169,687.00	90,460.15	-	503,318.89
Promises fee of 3-year loan limited of SPD Bank	307,089.56	-	109,044.12	-	198,045.44
Other	16,027.65	-	16,027.65	-	-
<b>Total</b>	<b>1,258,536.21</b>	<b>169,687.00</b>	<b>330,064.72</b>		<b>1,098,158.49</b>

## 14. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and deferred income tax liabilities are not listed the net amount after offsetting.

### 14.1 recognized deferred income tax assets and deferred income tax liabilities

Items	Amount of period-end	Amount of period-begin
<b>Deferred income tax assets:</b>		
Provision of assets impairment	26,491,542.53	26,491,542.53
Amortization of equity investment	3,562,593.44	3,562,593.44
Un-paid remuneration	431,253.12	431,253.12
Operation losses which can be made up in deferrable way	212,888.75	212,888.75
Un-realized transaction profit with affiliated companies	1,274,156.72	1,274,156.72
<b>Subtotal</b>	<b>31,972,434.56</b>	<b>31,972,434.56</b>
<b>Deferred income tax liabilities:</b>		
Temporary difference between depreciation and amortization	2,057,152.44	2,057,152.44
Change of fair value of financial assets available for sale that have been accounted into capital reserves	-52,125.74	-52,125.74
<b>Subtotal</b>	<b>2,005,026.70</b>	<b>2,005,026.70</b>

#### 14.2 un-recognized deferred income tax assets

Items	Amount of period-end	Amount of period-begin
offset-able differences	9,624,049.45	9,624,049.45
offset-able losses	12,373,828.15	12,373,828.15
<b>Total</b>	<b>21,997,877.60</b>	<b>21,997,877.60</b>

Due to the uncertain of sufficient amount of taxes payables obtaining in future, the partial offset-able differences and offset-able losses are not recognized as deferred income tax assets.

#### (3) Particulars about taxable difference and deductible difference

items	Amount
<b>Deductible temporary difference</b>	
Bad debts	62,891,139.63
Provision for inventory devaluation	13,181,955.05
Provision for devaluation of long-term equity investment	30,156,978.45
Provision for fixed assets devaluation	4,151,354.08
Amortization of equity investment difference	14,844,139.31
Un-paid remuneration	1,796,888.00
Operation losses which can be made up in deferrable way	887,036.44
Un-realized transaction profit with affiliated companies	5,308,986.33
<b>Total</b>	<b>133,218,477.29</b>

items	Amount
<b>Taxable temporary difference</b>	
Temporary difference between depreciation and amortization	9,809,858.26
Change of fair value of financial asset available for sale included in capital reserve	341,399.21
<b>total</b>	<b>10,151,257.47</b>

## 15. Asset Impairment Provision

Item	Amount at period-beginning	Increase in this term	decrease in this term		Amount at period-end
			Written back	Transferred	
Bad debt provision	92,763,942.28	-	-	-	92,763,942.28
Inventory impairment provision	22,232,876.35	-	-	-	22,232,876.35
Long-term equity investment impairment provision	31,257,252.62	-	-	-	31,257,252.62
Fixed assets impairment provision	4,227,562.01	-	-	-	4,227,562.01
<b>Total</b>	<b>150,481,633.26</b>	-	-	-	<b>150,481,633.26</b>

## 16. Short-term loans

Tyle of loans	Amount at period-end	Amount at period-beginning
Pledged loan	6,500,000.00	11,283,960.42
Credit loan	28,340,900.42	31,079,745.00
<b>Total</b>	<b>34,840,900.42</b>	<b>42,363,705.42</b>

There are no overdue loans in this report period.

## 17. Accounts payable

Items	Amount at period-end	Amount at period-beginning
Accounts payable	27,470,361.89	30,767,809.82

17.1 No accounts payable to shareholders with 5% or above voting shares of the Company.

17.2 Balance of accounts payable from associate are shown in No. 7 in Note 6.

## 18. Accounts received in advance

Item	Amount at period-end	Amount at period-beginning
Accounts received in advance	2,137,661.03	1,838,938.58

18.1 At balance of period-end, no account received in advance from shareholders with 5% (5% included) voting shares of the Company.

18.2 No account received in advance from related companies at period-end balance.

## 19. Wages payable

Item	Amount at period-beginning	Increase in this term	Decrease in this term	Amount at period-end
Wage, bonus, allowance and subsidy	8,309,169.50	18,899,024.40	20,028,545.19	7,179,648.71
Employees' welfare	91,690.00	637,729.68	719,419.68	10,000.00
Social security	1,361,567.16	2,888,119.96	3,010,399.04	1,239,288.08
Housing public reserve	4,359,770.00	815,042.71	304,734.24	4,870,078.47
Trade union fee and education fee	394,981.95	368,353.59	400,327.78	363,007.76
Compensation for releasing of labor service contract	-	118,872.00	118,872.00	-
Others	267,240.00	305,803.16	306,700.76	266,342.40
<b>Total</b>	<b>14,784,418.61</b>	<b>24,032,945.50</b>	<b>24,888,998.69</b>	<b>13,928,365.42</b>

## 20. Tax payable

Taxation type	Amount at period-end	Amount at period-beginning
VAT	-696,638.67	-530,012.71
Business tax	611,636.94	640,226.44
City constructio tax	51,593.97	84,091.75
Enterprise income tax	-172,658.82	735,617.03
Property tax	995,858.45	995,859.11
Land VAT	5,362,442.05	5,362,442.05
Individual income tax	68,095.62	73,467.65
Education surtax	71,549.11	65,569.26
Other	31,094.24	37,614.11
<b>Total</b>	<b>6,322,972.89</b>	<b>7,464,874.69</b>

## 21. Other payables

Item	Amount at period-end	Amount at period-beginning
Other payables	107,968,492.04	107,704,456.87

21.1 Other account payable to shareholders with 5% or above voting shares of the Company is shown in No. 7 in Note 6.

21.2 Other account payables of related parties found in No.7 under Note 6.

## 22. Non-current liabilities due within 1 year

### (1) Category

Item	Amount at period-end	Amount at period-beginning
Long-term loans due within 1 year	16,440,000.00	8,640,000.00
<b>Total</b>	<b>16,440,000.00</b>	<b>8,640,000.00</b>

### (2) Long-term loans due within 1 year

Name of the company	Amount at period-end	Rate	Type of loan	Time
SPD Bank Fuhua Branch	4,960,000.00	5.40%	Pledge	2009.08.10-2012.05.10
SPD Bank Fuhua Branch	2,800,000.00	5.40%	Pledge	2009.07.31-2012.04.20
SPD Bank Fuhua Branch	8,200,000.00	6.40%	Pledge	2009.05.31-2012.05.31
SPD Bank Fuhua Branch	480,000.00	6.1425%	Pledge	2010.02.05-2012.05.05
<b>Total</b>	<b>16,440,000.00</b>			

## 23. Long-term loans

### (1) Category

Item	Amount at period-end	Amount at period-beginning
Pledge loan	80,580,000.00	92,700,000.00
<b>Total</b>	<b>80,580,000.00</b>	<b>92,700,000.00</b>

### (2) major details of long-term loans

Loan unit	Balance at period-end	Rate	Type of loan	Term of loans
SPD Bank Fuhua Branch	48,360,000.00	5.40%	Pledge	2009.08.10-2012.08.10
SPD Bank Fuhua Branch	27,300,000.00	5.40%	Pledge	2009.07.31-2012.07.31
SPD Bank Fuhua Branch	4,920,000.00	6.1425%	Pledge	2010.02.05-2013.02.05
<b>Total</b>	<b>80,580,000.00</b>			

## 24. Long-term payables

Item	Amount at period-end	Amount at period-beginning
Technical innovation loan	11,311.96	11,311.96
Employee housing deposit	2,588,848.40	2,588,848.40
Industry committee of SZ	1,320,000.00	1,320,000.00
<b>Total</b>	<b>3,920,160.36</b>	<b>3,920,160.36</b>

## 25. Projected liabilities

Categories	Amount at period-beginning	Increased in this period	Decreased in this period	Amount at period-end
External guarantee*	87,568,728.57	-	-	87,568,728.57
<b>Total</b>	<b>87,568,728.57</b>	<b>-</b>	<b>-</b>	<b>87,568,728.57</b>

\*See more details of External guarantee in No. 1.3 in Note 7.

## 26. Share capital

Item	Amount at period-beginning	Increased in this period	Decreased in this period	Amount at period-end
I. Negotiable shares with selling restriction condition				
1. State-owned shares	-	-	-	-
2. State-owned legal person shares	14,587,056.00	-	-	14,587,056.00
3. Domestic legal person shares	-	-	-	-
4. Overseas legal person shares	-	-	-	-
5. Domestic nature person shares	-	-	-	-
6. Others	-	-	-	-
<b>Total of restrict shares</b>	<b>14,587,056.00</b>	<b>-</b>	<b>-</b>	<b>14,587,056.00</b>
II. Unconditional negotiable shares				
1. RMB common shares domestically listed	179,294,544.00	-	-	179,294,544.00
2. Foreign shares domestically listed	26,400,000.00	-	-	26,400,000.00
3. Foreign shares listed overseas	-	-	-	-
4. other	-	-	-	-
<b>Total of unrestricted shares</b>	<b>205,694,544.00</b>	<b>-</b>	<b>-</b>	<b>205,694,544.00</b>
<b>III. Total shares</b>	<b>220,281,600.00</b>	<b>-</b>	<b>-</b>	<b>220,281,600.00</b>

## 27. Capital reserve

Items	Amount at period-beginning	Increased in this period	Decreased in this period	Amount at period-end
Share capital premium	3,024,773.35	-	-	3,024,773.35
Other capital reserves	5,611,056.50	24,312.75	-	5,635,369.25
Incl: Variation of the fair values of financial assets available for sale	963,224.34	24,312.75	-	987,537.09
<b>Total</b>	<b>8,635,829.85</b>	<b>24,312.75</b>	<b>-</b>	<b>8,660,142.60</b>

## 28.Surplus reserve

Items	Amount at period-beginning	Increased in this period	Decreased in this period	Amount at period-end
Statutory surplus reserves	2,952,586.32	-	-	2,952,586.32
<b>Total</b>	<b>2,952,586.32</b>	<b>-</b>	<b>-</b>	<b>2,952,586.32</b>

## 29.Retained Profit

Items	Semi-annual of 2011	Year of 2010
Net profit attributable to owner of parent company	502,339.55	3,584,445.78
Plus:Retained profit at year-begin	-56,595,413.73	-60,179,859.51
Less:Profit distribution	-	-
Incl: Distilled statutory surplus reserves	-	-
<b>Retained profit at year-end</b>	<b>-56,093,074.18</b>	<b>-56,595,413.73</b>

## 30.Operating income and operating cost

Categories	Operating income		Operating cost		Operating profit	
	Jan.-Jun.2011	Jan.-Jun.2010	Jan.-Jun.2011	Jan.-Jun.2010	Jan.-Jun.2011	Jan.-Jun.2010
Primary business	176,552,777.10	196,981,374.00	143,346,837.46	163,465,870.00	33,205,939.64	33,515,504.00
Other business	1,494,388.28	1,341,814.63	856,424.56	793,803.67	637,963.72	548,010.96
<b>Total</b>	<b>178,047,165.38</b>	<b>198,323,188.63</b>	<b>144,203,262.02</b>	<b>164,259,673.67</b>	<b>33,843,903.36</b>	<b>34,063,514.96</b>

(1) Primary business classified according to industries:



Industries	Primary business income		Primary business cost		Primary business profit	
	Jan.-Jun.2011	Jan.-Jun.2010	Jan.-Jun.2011	Jan.-Jun.2010	Jan.-Jun.2011	Jan.-Jun.2010
Automobile selling	106,573,060.42	124,054,951.00	102,071,280.69	118,430,197.00	4,501,779.73	5,624,754.00
Automobile inspection, repairing and parts selling	25,100,471.03	30,837,380.00	20,137,598.95	24,603,382.00	4,962,872.08	6,233,998.00
Tenancy service	44,879,245.65	42,089,043.00	21,137,957.82	20,432,291.00	23,741,287.83	21,656,752.00
<b>Toatl</b>	<b>176,552,777.10</b>	<b>196,981,374.00</b>	<b>143,346,837.46</b>	<b>163,465,870.00</b>	<b>33,205,939.64</b>	<b>33,515,504.00</b>

(2) Selling condition of top 5 clients:

Items	Jan. -Jun. 2011		Jan. -Jun. 2010	
	Turnover	Proportion of the total amount%	Turnover	Proportion of the total amount%
Amount	14,364,957.62	8.07%	13,912,364.52	7.01%

### 31.Operational tax and surcharges

Item	Jan. -Jun. 2011	Jan. -Jun. 2010
Operation tax	1,886,417.16	1,776,498.41
City maintaining&construction tax	253,450.52	36,456.65
Education surtax	133,265.13	58,746.04
<b>Total</b>	<b>2,273,132.81</b>	<b>1,871,701.10</b>

### 32.Financial expenses

Categories	Jan. -Jun. 2011	Jan. -Jun. 2010
Interest expenses	3,938,584.27	4,475,776.14
Less: Interest income	196,008.08	223,954.69
Exchange loss	3,487.29	-52,102.49
Less: Exchange gains	-	-
Other	574,838.16	241,902.90
<b>Total</b>	<b>4,320,901.64</b>	<b>4,441,621.86</b>

### 34. Investment income

#### 34.1 Particulars of investment income

Items	Jan. -Jun. 2011	Jan. -Jun. 2010
Income from long-term equity investment adopt co	33,574.75	-
Income from long-term equity investment adopt eq	3,904,259.83	4,878,630.21
Investment income from disposing of long-term equity investment	-	-
Investment income from disposing of transactional financial assets	-	-
<b>Total</b>	<b>3,937,834.58</b>	<b>4,878,630.21</b>

#### 34.2 Income from long-term equity investment on equity method

Name of the companies	Jan. -Jun. 2011	Jan. -Jun. 2010	Reasons for changes (increase/decreased)
Shenzhen Renfu Tellus Auto Service Co., Ltd.	4,300,100.00	4,420,500.00	Profit decreased
Shenzhen Tellus Gem Investment Co., Ltd.	-496,350.00	-318,500.01	Losses decreased
Shenzhen Dongfeng Auto Co., Ltd.	349,219.52	1,070,000.00	Profit decreased
Shenzhen Tellus Auto Service Chain Co., Ltd.	-84,000.00	-129,200.00	Losses decreased
Shenzhen Xinglong Machinery Mould Co., Ltd.	24,000.00	17,700.00	
Shenzhen Tellus New Yongtong Automobile Service Co., Ltd	-15,000.00	-	
Shenzhen Telixing Investment Co., Ltd.	-3,265.60	21,905.22	
Shenzhen Automobile Industrial Import and Export Company	-170,444.09	-203,775.00	Losses decreased
<b>Total</b>	<b>3,904,259.83</b>	<b>4,878,630.21</b>	

### 35. Non-operating income

Categories	Jan.-Jun.2011	Jan.-Jun.2010
gains from disposal of non-current assets	-	165,950.63
Incl:gains from disposal of fixed assets	-	165,950.63
Penalty	1,532.94	2,381.81
Other	19,861.90	17,625.20
<b>Total</b>	<b>21,394.84</b>	<b>185,957.64</b>

### 36. Non-operating expenditures

Categories	Jan. -Jun. 2011	Jan. -Jun. 2010
loss from disposal of non-current assets	-	3,053.74
Incl:loss from disposal of fixed assets	-	3,053.74
Penalty	10,480.00	3,069.93
Donation	-	10,000.00
Other	148,995.00	5,040.00
<b>Total</b>	<b>159,475.00</b>	<b>21,163.67</b>

### 37. Income tax

Item	Jan. -Jun. 2011	Jan. -Jun. 2010
Income tax expenditure in this period	207,019.50	451,955.63
<b>Total</b>	<b>207,019.50</b>	<b>451,955.63</b>

### 38. Earnings per share

The calculation of earnings per share is as follows:

Item	Jan. -Jun. 2011	Jan. -Jun. 2010
Net profit attributable to owner of the Company	502,339.55	1,098,680.67
Weighted average of issued common shares	220,281,600	220,281,600
Basic earnings per share(RMB Yuan per share)	0.002	0.005
Diluted earnings per share(RMB Yuan per share)	0.002	0.005

### 39. Other integrated income

Item	Amount of this period	Amount of the same period of last year
I. Gains/losses from financial assets available for sale	24,312.75	-460,971.20
Less: Income tax effect of financial assets available for sale	--	--
Net amount that accounted into other integrated income previously transfer to current gains/losses	--	--
<b>Subtotal</b>	<b>24,312.75</b>	<b>-460,971.20</b>
II. Share of other integrated income under invested companies calculated	--	-

based on equity		
Less: Income tax effect of share of other integrated income under invested companies calculated based on equity	--	--
Net amount that accounted into other integrated income previously transfer to current gains/losses	--	--
<b>Subtotal</b>	--	--
III. Other	--	--
Less: Income tax effect of others accounted into other integrated income	--	--
Net amount of others accounted into other integrated income previously transfer to current gains/losses	--	--
<b>Subtotal</b>	--	--
<b>Total</b>	<b>24,312.75</b>	<b>-460,971.20</b>

## 40. Cash flow statement

### 40.1 Other cash received concerning operating activities

Item	Jan. -Jun. 2011	Jan. -Jun. 2010
Current account of affiliated units	29,276,094.96	31,434,143.47
Deposit and margin received	1,836,431.56	2,301,549.36
Interest income	196,008.08	223,954.69
Penalty and compensation income	1,532.94	2,381.81
Tenancy income	4,431,562.58	4,365,221.49
<b>Total</b>	<b>35,741,630.12</b>	<b>38,327,250.82</b>

### 40.2 Cash paid to others concerning operating activities

Item	Jan. -Jun. 2011	Jan. -Jun. 2010
Current account of affiliated units	6,728,331.21	12,610,270.12
Cash paid for operation expenses	6,262,097.63	9,559,387.79
Cash paid for administration expenses	15,122,227.41	18,993,275.62
Deposit and margin	1,836,452.74	2,191,650.67
<b>Total</b>	<b>29,949,108.99</b>	<b>43,354,584.20</b>

## 41. Supplementary information of cash flow statement

### 41.1 Net profit adjusted to cash flow of operation

Items	Jan. - Jun. 2011	Jan. - Jun. 2010
Net profit	371,137.09	1,710,962.88
Plus: Assets impairment provision	-	-
Fixed assets, productive biological assets, investment real estate depreciation	8,005,473.90	8,170,483.11
Amortizing of intangible assets	28,749.96	23,749.98
Amortizing of long-term expenses	330,064.72	321,097.79
Loss from disposal of fixed assets, intangible assets and other long-term assets (income listed with "-")	-	165,950.63
Loss of disposing fixed assets (income listed with "-")	-	-
Loss from change of fair value (income listed with "-")	-	-
Financial expenses (income listed with "-")	4,320,901.64	4,441,621.86
Investment loss (income listed with "-")	-3,937,834.58	-4,878,630.21
Decrease of deferred income tax assets (increase listed with "-")	-	-
Increase of deferred income tax liabilities (decrease listed with "-")	-	-
Decrease of inventory (increase listed with "-")	-1,735,107.85	-17,333,291.30
Decrease of operating receivable accounts (increase listed with "-")	2,960,231.64	7,669,374.19
Increase of operating payable accounts (decrease listed with "-")	-3,876,592.11	-14,004,129.63
Other	309,649.63	-6,020,337.03
<b>Net value of cash flow in operation</b>	<b>6,776,674.04</b>	<b>-19,733,147.73</b>

### 41.2 Cash and cash equivalents

Item	2011-6-30	2011-1-1
I. Cash	54,594,020.80	64,122,979.84
Incl: Cash on hand	256,159.47	230,415.60
Bank deposit payable at any time	54,279,731.12	63,868,067.68
Other monetary funds payable at any time	58,130.21	24,496.56
II. Cash equivalent	-	-
Inclu: Bond investment due within 3 months	-	-
III. Cash at period-end and balance of cash equivalent	54,594,020.80	64,122,979.84

### Note 6. Associated party and associated transaction

### 1. Recognition of associates

The associate parties refer to those that one party can control, jointly control or have significant influence on the other party; and those that two parties or more are under control, jointly control, or significant influence by the other party.

### 2. Shareholders of the Company with controlling relationship(or actual controller)

Name of the Parent Company	Register place	Business trait	Business scope	Register capital	Share holding proportion%	Voting proportion%	Organization code
Shenzhen SDG Co., Ltd.	Shenzhen	Limited liability	Real estate& Mainland business	1,582,820,000	66.22	66.22	192194195

### 3. Particulars about subsidiaries of the Company

More details of the basic and relevant information of subsidiaries of the Company could be found in No.1 under Note4.

### 4. Particulars about the joint ventures and affiliated enterprises

Name of the companies	Business trait	Register place	Legal representative	Natural of business	Register capital(RMB'0000)	Share holding proportion%	Voting proportion of the Company%	Organization code
I. Joint venture								
Shenzhen Tellus Gem Investment Co., Ltd.	Limited liability	Shenzhen	Zhang Ruili	Industrial investment, property management and tenancy	5670.496	50.00	50.00	
Shenzhen Telixing Investment Co., Ltd.	Limited liability	Shenzhen	Lv Hang	Industrial investment, property management and purchase-sale of motor fittings	2720	50.00	50.00	
II. Affiliated enterprise								
Shenzhen Xinglong Machinery Molds Co., Ltd.	Limited liability	Shenzhen	Zhang Ruili	Import &export of mould processing	2763.33	30.00	30.00	192172420
Shenzhen Tellus Motor Service Chain Co., Ltd.	Limited liability	Shenzhen	Li Jinlong	Automobile maintenance and tenancy	200	40.00	40.00	767583926
Shenzhen Renfu Tellus Automobile Service Co., Ltd.	Limited liability	Shenzhen	Wu Jianfan	Automobile sales and maintenance	3000	35.00	35.00	774131792
Shenzhen Machinery Equipment Import & Export Co., Ltd.	Limited liability	Shenzhen	Huang Weiqiang	Import &export of motor fittings	1325	35.75	35.75	192190506
Shenzhen Dongfeng Automobile Co., Ltd.	Limited liability	Shenzhen	Xu Tiansheng	Production of automobile,	4500	25.00	25.00	

Name of the companies	Business trait	Register place	Legal representative	Natural of business	Register capital(RMB'0000)	Share holding proportion%	Voting proportion of the Company%	Organization code
				maintenance				
Shenzhen Xinyongtong Test Technology Co., Ltd.	Limited liability	Shenzhen	Li Jinlong	Inspection of security technology for motor vehicle	160	31.00	31.00	
Shenzhen Xinyongtong Oil Pump Environmental Co., Ltd.	Limited liability	Shenzhen	Li Jinlong	Consultation of diesel oil pump technology and environmental technology	100	31.00	31.00	
Shenzhen Xinyongtong Automobile Services Co., Ltd.	Limited liability	Shenzhen	Qi Peng	Maintenance of motor mobile and motorcycles; Auto decoration; sale of auto fittings	100	31.00	31.00	
Shenzhen Xinyongtong Dongxiao Auto Fittings Sale Co., Ltd.	Limited liability	Shenzhen	Qi Peng	Maintenance of 2 <sup>nd</sup> category vehicle; sale of auto fittings	50	31.00	31.00	
Shenzhen Xinyongtong Xinda Inspection Equipment Limited Liability Company	Limited liability	Shenzhen	Huang Peibo	Development of inspection technology, selling	100	40.00	40.00	
Shenzhen Xinyongtong Consultant Co., Ltd.	Limited liability	Shenzhen	Li Jinlong	Auto management technology and net work maintenance	16	30.00	30.00	

## 5. Particulars about other related parties

Name of the company	Relationship between the Company	Organization code
Shenzhen SD Swan Industrial Co., Ltd.	Subsidiary of parent company	192473856
Shenzhen Machinery Equipment Import & Export Co., Ltd.	Subsidiary of parent company	19034097X
Shenzhen SD Real Estate Co., Ltd.	Subsidiary of parent company	279365997
Hong Kong Yujia Investment Co., Ltd.	Subsidiary of parent company	
Shenzhen Tellus Real Estate Yueyang Company	Subsidiary of parent company	
Shenzhen SD Development Center Construction Supervision Co., Ltd.	Subsidiary of parent company	192260957
Shenzhen Tellus Yangchun Real Estate Company	Subsidiary of parent company	
Shenzhen Longang Tellus Real Estate Company	Subsidiary of parent company	

## 5. Transaction with related parties

## 6.1 Related tenancy

Name of Lesser	Name of Lessee	Tenancy assets	Date of tenancy begin	Expire date of tenancy	Recognition basis of tenancy earnings	Leasing income (yuan)
Shenzhen Tellus Holding Co., Ltd.	Shenzhen RenfuTellus Automobile Services Co., Ltd.	building construction	2005-1-1	2025-1-1	Contract price	2,575,000.00
Shenzhen Tellus Xinyongtong Automobile Development Co., Ltd.	Shenzhen Xinyongtong Inspection Technology Co., Ltd.	machinery equipment	2008-7-1	2016-6-30	Contract price	80,000.00
Shenzhen Tellus Xinyongtong Automobile Development Co., Ltd.	Shenzhen Xinyongtong Automobile Service Co., Ltd.	building construction	2009-4-1	2012-3-31	Contract price	154,602.00
Shenzhen Tellus Xinyongtong Automobile Development Co., Ltd.	Shenzhen Xinyongtong Dongxiao Auto Fittings Sale Co., Ltd.	machinery equipment	2009-4-1	2012-3-31	Contract price	30,484.50
Shenzhen Tellus Xinyongtong Automobile Development Co., Ltd.	Shenzhen Xinyongtong Automobile Service Co., Ltd.	building construction	2009-4-1	2012-3-31	Contract price	113,400.00
Shenzhen Tellus Xinyongtong Automobile Development Co., Ltd.	Shenzhen Xinyongtong Dongxiao Auto Fittings Sale Co., Ltd.	machinery equipment	2009-4-1	2012-3-31	Contract price	15,900.00

(2) No related guarantee in this period



## (3) No money lending of related parties in this period

## 7. Account receivable and account receivable of related parties

Items	Related parties	Amount of period-end	Amount of period-begin
Accounts receivable	Shenzhen Xinyongtong Automobile Service Co., Ltd.	695,699.00	541,097.00
	Shenzhen Xinyongtong Dongxiao Auto Service Co., Ltd.	510,300.00	396,900.00
Other accounts receivable	Shenzhen Xinyongtong Technology Co., Ltd.	-	80,000.00
	Shenzhen Xinyongtong Xinda Inspection Equipment Limited Liability Company	496,450.47	494,158.47
	Shenzhen Xiandao Chemistry New material Co., Ltd.	708,072.26	708,072.26
	Shenzhen Tellus Automobile Service Chain Co., Ltd.	7,187,829.60	7,126,559.60
	Shenzhen Xinlong Machinery Mould Co., Ltd.	1,767,628.09	1,729,919.77
Short-term loans	Shenzhen SDG Co., Ltd.	19,256,940.00	19,279,745.00
	Shenzhen SDG Development Center Construction Superse Co., Ltd.	5,000,000.00	5,000,000.00
accounts payable	Shenzhen Xinyongtong Dongxiao Auto Service Co., Ltd.	-	125,047.06
	Shenzhen SDG Real Estate Co., Ltd.	6,054,855.46	6,054,855.46
other accounts payable	Shenzhen SDG Real Estate Co., Ltd.	335,701.34	335,701.34
	H. K. Yujia Investment Co., Ltd.	1,987,638.36	1,987,638.36
	Shenzhen SDG Swan Industrial Co.,	20,703.25	20,703.25
	Shenzhen Machinery Equipment Import & Export Co., Ltd.	528,454.50	387,833.70
	Shenzhen SDG Co., Ltd.	32,720,688.91	32,288,988.91
	Shenzhen Longgang Tellus Real Estate Co.	1,095,742.50	1,095,742.50
	Shenzhen Yangchun Real Estate Co.,	476,217.49	476,217.49
	Shenzhen SDG Development Center Construction Supervise Co., Ltd.	185,336.00	46,334.00
	Shenzhen Xinlong Machinery Mould Co., Ltd.	-	78,515.56

**Note 7. Contingency**

## 1. Contingency and its financial influence from un-judged lawsuits and arbitration

1.1. 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 distained forcibly. Till the disclosure date for this report, Fu Tian District People's Court had adjudged that the Company won the lawsuit and the forcible execution had been applied by the Company.

April 2006 Shenzhen Development Bank brought an accusation against Jintian's overdue loan two

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

The Company has not yet received the money from Jintian till the disclosure day.

1.2. In October of 2005, a lawsuit was brought to Shenzhen Intermediate People's Court by the Company, which is the recognizer of bank loan guarantee of Shenzhen Zhong Hao (Group) Co., Ltd., to require Zhong Hao to redress RMB 16,620,000 which was finally paid by the Company on behalf of Zhong Hao (principal: RMB 11,500,000, interest: RMB 5,000,000, legal fare and evaluating fare: RMB 120,000, which were all dealt as a loss in last report term of the Company.). Till the disclosure date for this report, Shenzhen Intermediate People's Court had adjudged that the Company won the lawsuit and the forcible execution had been applied by the Company. In 2008, Shenzhen Intermediate People's Court issued the Shen Zhong Fa No. 420 Civil Verdict (2007). Since the Company failed to provide the property or property clue of Zhong Hao available for execution, and so did the Court, so the Court suspended the case. After the disappearance of the suspension, the Company may apply to the court to recover the execution.

1.3. The Company signed a "Guarantee Contract for a limited loan" with Shenzhen Petroleum & Chemical Limited Company ("Petroleum & Chemical Limited") Agricultural Bank of China (ABC) Shenzhen Shangbu Subbranch on 14 December 1995. Our company guaranteed Petroleum & Chemical Limited to borrow a loan of RMB 57,600,000 from Agricultural Bank of China Shenzhen Shangbu Subbranch, which would expire on 14 December 2000. On 29 December 2000, China Agricultural Bank Shenzhen Branch, China Great wall Asset Management Corporation Shenzhen Branch ("Great Wall Corporation Shenzhen Branch") and Petroleum & Chemical Limited signed a "Loan for Investment & Stock Transfer Agreement". Three parties agreed that ABC Shenzhen Branch would transfer a loan of RMB 270,000,000 (the above-mentioned loan of RMB 57,600,000 included), that he provided to Petroleum & Chemical Limited, to Great Wall Corporation Shenzhen Branch, as a way of investment. In the agreement, they promised that "From the date on which the contract become effective, Party A, Grate wall Corporation Shenzhen Branch, will be entitled with the rights as a investor; Party B, ABC Shenzhen Branch, will not be a lender again. "The agreement will become effective with the signatures of the representatives or agents from the three parties". On the same date, Great wall Corporation Shenzhen Branch, Petroleum & Chemical Limited and Shenzhen Petroleum & Chemical Group Limited Company ("Petroleum & Chemical Group") signed an "Agreement". Three parties agreed that Great wall Corporation Shenzhen Branch changed his investor's equity of RMB 270,000,000 in Petroleum & Chemical Limited as the investment returns in Petroleum & Chemical Group. Meanwhile, Petroleum & Chemical Group and Great Wall Corporation Shenzhen Branch signed a "Stock Transfer Contract". They agreed that Great Wall Corporation Shenzhen Branch would use his investment returns of RMB 270,000,000 in Petroleum & Chemical Group to invest as a stockholder in a newly-registered company of Petroleum & Chemical Group. The contract "will become effective with the signatures and chops from the two parties".

On 20 August 2004, the Agricultural Bank of China Shenzhen Branch claimed that "Agreement", "Loan for Investment & Stock Transfer Agreement" and "Stock Transfer Contract" had not been

carried out. They appealed to the Shenzhen Intermediate People's Court and required the borrower, Petroleum & Chemical Limited, to repay the loan of RMB 57,600,000, interest of RMB 16,652,286.37, and debt interest and expense of realization of creditors' right occurred in overdue period since the judge day. It also required the Company to undertake joint responsibility for all debt.

On 9 May 2006, the Company received the civil judgment of (2004) Shen Zhong Fa Min No. 437 from Shenzhen Intermediate People's Court. In its judgment for first instance, Shenzhen Intermediate People's Court ordained that the Company should undertake the joint liability of settlement for the loan of Petroleum & Chemical Limited. The Company shall repay the loan principal of RMB 57,600,000 and interests to the Agricultural Bank of China Shenzhen Shangbu Subbranch, within 10 days upon effectiveness of this judgment. If the Company failed to repay in the regulated time, interest would be doubled according to the interest rate of the overdue time. As Petroleum & Chemical Limited was delisted and its assets were seized by the creditors, so there were no assets available for execution. The Company made provision of RMB 87,568,728.57 for the relevant loss, in accordance with the Accounting Regulations for Business Enterprises.

The Company refused to accept the above-mentioned verdict and appealed to Guangdong Provincial High People's Court (hereinafter referred to Guangdong High Court). Guangdong High Court rejected the appeal and upheld the original verdict by the Civil Judgment [2006] No. 172. The Company refused to accept the verdict of Guangdong High Court and submitted Civil Retrial applications and asked for Revocation of Civil Judgment of [2004] No.437 and [2006] No. 172 respectively issued by Shenzhen Intermediate People's Court and Guangdong High Court. Guangdong High Court accepted the application for retrial and decided to retrial this case by issuing Civil Judgment [2007] No.682 on October 16, 2007. During the retrial, the enforcement execution application presented by China Agricultural Bank Shenzhen Branch to Shenzhen Intermediate People's Court has been suspended. And the case had entered the trial supervision procedure in Guangdong High Court.

The Company received the verdict of Civil Judgment [2008] No.23 from the Guangdong High Court on 13 January 2010. Maintaining the decision of Civil Judgment [2006] No. 172, and this judgment was the final decision.

On 7 July 2010, the Company receive Intermediate People's Court. The civil judgment of [2008] No.23 from Guangdong High Court, civil judgment of [2006] No.172 and civil judgment of [2004] No.437 from Shenzhen Intermediate Court have been in legal validity. Pursuit to the application from Shenzhen Agriculture Bank of China, on 2 July 2010, the Shenzhen Intermediate People's Court freed the following shares as: 95% equity of Shenzhen Tefa Tellus Real Estate Development Co., Ltd., 50% equity of Shenzhen Tellus GEM Investment Co., Ltd.,d a Freezing Notice [2010] No.534-1 from Shenzhen 60% of Shenzhen Tafa Huari Automobile Enterprise Co., Ltd., 60% of Shenzhen Huari TOYOTA Automobile Sale Services Co., Ltd. and 35% of Shenzhen Renfu Tellus Automobile Services Co., Ltd. Held by the Company.

Till reporting day, both parties are negotiating and becoming reconciled.

1.4. Shenzhen Tefa Tellus Real Estate Development Co., Ltd. ("Tellus Real Estate"), a subsidiary of the Company, signed a Joint Property Construction Contract with Shenzhen Jinlu Industrial and Trade Company ("Jinlu Company") on November 29, 1994, to build Liye Huishi Street in Buji Town, Shenzhen. In the agreement, it was agreed that on the basis of respecting the Cooperation Contract of Construction for Buji Liye Huishi Street signed by Jinlu Company, and the land providers-Guangzhou Military Area Shenzhen Property Administrative Department (referred to Property Administrative Department later) and Army 75731 of Chinese People's Liberation Army

(referred to Army 75731 later), Tellus Real Estate input RMB 10 million as investment for construction in return of a property whose construction area amounted to 6,000 square meters. Jinlu Company promised to hand over the completed buildings and fitting equipments before end of November, 1995. However, till Dec 31st of 1996, though it had already accumulatively input with RMB 9,822,500.00 for this investment, Tellus Real Estate did not received the properties it should had received on the agreed day for handing over property. So, it appealed to the court, to require Jinlu Company immediately return the investment account of RMB 9.8 million and relevant interest, and all legal fare. Through court hearing, the Court added Guangzhou Military Area Shenzhen Property Administrative Department and Army 75731 as defendants according to laws. On Mar 18th of 2003, Shenzhen Intermediate Peoples' Court sentenced effectiveness of the aforementioned Cooperation Contract by issuing SZFFCZi (2000) No. 101 Verdict. The nature was confirmed as cooperation construction, and the two parties should continue to implement the contract. If disputes occurred between the parties for any disagreement in contract implementation, law channel could be an assistant for solving.

In March of 2005, Tellus Real Estate, together with Jinlu Company, prosecuted Property Administrative Department and Army 75731 (Guangzhou Military Area Telecommunication Equipments Repair Office), appealing that the two defendants implement the contract and hand over the 11,845 square meters property in Liye Huishi Street to the two accusers. Meanwhile, the defendants were appealed to pay lease income of RMB 5,034,664.94 collected from the property since 1998. Meanwhile, Tellus Real Estate and Jinlu Company signed agreement, agreeing that: for Liye Huishi Street property received back from automatic implementation or compulsory execution by the Court, 6,000 square meters property belonged to Tellus Real Estate, and the rest belonged to Jinlu Company. If insufficient to 6,000 square meters, all the property belonged to Tellus Real Estate; as for the income called back from this case, distribution between the two parties with proportion of 5:5 was going to be made. Shenzhen Mediate People's Court took the first trial on this lawsuit in Aug. of 2010. It wasn't judged in court for the case was complicated.

On Apr. 29 of 2011, the Company received a civil ruling letter ([2005] SZFSMWCZi No. 82) from Shenzhen Mediate People's Court. The court believed the cooperation contract of real estate development signed by Jinlu Company together with Housing Management Branch was valid. But Liyehui Food Street built on land concerning this case by both parties was regarded as unauthorized construction because they didn't handle the construction planning permit in administrative division of government though they got approval from the general logistic division. For both parties didn't post-handle relevant procedure in administrative division, this unauthorized construction belongs to illegal target. People's court isn't able to adjudicate the construction as well as its interest distribution. Thus Jinlu Company and Tellus Company rejected this lawsuit as for property payment of Liyehui Food Street and rent distribution.

The rulings for other lawsuits of the two companies were as follows: reject lawsuit the plaintiff namely Shenzhen Jinlu Industry and Trade Company and Shenzhen Tefa Tellus Real Estate Co., Ltd appealed that Shenzhen Property Management Branch in Guangzhou Military Region, and PLA 75731 Army should submit 11845 square meters of Liyehui Food Street and they both should pay rent of several years since 1998.

The Company had accrued total amount of provision for bad debts of cooperative development capital Tellus Real Estate Company invested.

**Note 8. Commitment**

There is no significant commitments need for disclosure.

**Note 9. Items after the balance sheet date**

There are no Items after the balance sheet date needed for disclosure.

**Note 10. Other significant events**

1.the 30% equity of Shenzhen Xinlong Machinery Mould Co., Ltd., 50% equity of Shenzhen Telixing Investment Co., Ltd., 50% equity of Shenzhen Tellus GEM Investment Co., Ltd., 51% equity of Shenzhen Xinyongtong Moto Vehicle Inspection Equipment Co.,Ltd.,100% equity of Shenzhen Tellus Real Estate Transaction Co., Ltd., 100% equity of Shenzhen Tefa Tellus Real Estate Co., Ltd., 100% equity of Shenzhen Tafa Tellus Property Management Co., 100% equity of Shenzhen Automobile Industry Trading General Company and 100% equity of Shenzhen Zhongtian Industrial Co., Ltd. held by the Company have been hedge to the Bank as the deposit for RMB 6 million loans.

## Note 11. Notes to Financial Statement of parent company

## 1. Accounts receivable

## 1.1 Classified according to category

Category	2011-6-30				2011-1-1			
	Balance of book value		Bad debt provision		Balance of book value		Bad debt provision	
	Amount	Proportion	Amount	Accruing proportion	Amount	Proportion	Amount	Accruing proportion
accounts receivable with major single amount but with single provision for bad debt								
accounts receivable whose bad debts provision was accrued by combination (by age)								
accounts receivable with minor single amount but with single provision for bad debt	484,803.08	100.00%	484,803.08	100.00%	484,803.08	100.00%	484,803.08	100.00%
<b>Total</b>	<b>484,803.08</b>	<b>100.00%</b>	<b>484,803.08</b>	<b>100.00%</b>	<b>484,803.08</b>	<b>100.00%</b>	<b>484,803.08</b>	<b>100.00%</b>

Single item with major amount in period-end or the account receivable of bad debt provision by solely impairment testing for single item with minor amounts

Units	Contents	Book balance	Bad debt amount	Accruing proportion	Reasons
Shenzhen Bijiashan Entertainment Company	Loan	172,000.00	172,000.00	100%	Predicted un-recovered due to long age
SEG stores	Loan	97,806.64	97,806.64	100%	Predicted un-recovered due to long age
Guangzhou Lemin Computer Center	Loan	86,940.00	86,940.00	100%	Predicted un-recovered due to long age
Other units	Loan	128,056.44	128,056.44	100%	Predicted un-recovered due to long age
<b>Total</b>		<b>484,803.08</b>	<b>484,803.08</b>	<b>100%</b>	

(2) In this reporting period, there were no accounts receivable with actual cancel after verification.

1.3 There is no other accounts receivable due from shareholders holding 5% (including 5%) voting shares in this report period.

## 1.4 Top 5 amount of accounts receivable

Name	Relationship between the Company	Amount	Time	Proportion of total amount receivables (%)
Shenzhen Bijiashan Entertainment Company	External unit	172,000.00	Over 3 years	35.48
SEG store	External unit	97,806.64	Over 3 years	20.17
Guangzhou Lemin Computer Center	External unit	86,940.00	Over 3 years	17.93
Lanzhou Dachuan Electronic Company	External unit	37,308.00	Over 3 years	7.70
Sichuan Shentong Computer Company	External unit	28,764.00	Over 3 years	5.93
<b>Total</b>		<b>422,818.64</b>		<b>87.21</b>

(5) Accounts receivable of related parties in period-end balance could be seen from Note VI 7.

## 2. Other receivables

## 2.1 Classified according to types

Type	2011-6-30				2011-1-1			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Accruing proportion	Amount	Proportion	Amount	Accruing proportion
accounts receivable with major single amount but with single provision for bad debt	12,298,270.57	30.18%	12,298,270.57	100.00%	12,298,270.57	30.96%	12,298,270.57	100.00%
accounts receivable whose bad debts provision was accrued by combination (by age)	27,422,477.84	67.29%	4,568,576.98	16.66%	26,399,451.97	66.45%	4,568,576.98	17.31%
accounts receivable with minor single amount but with single provision for bad debt	1,030,640.31	2.53%	1,030,640.31	100.00%	1,030,640.31	2.58%	1,030,640.31	100.00%
<b>Total</b>	<b>40,751,388.72</b>	<b>100.00%</b>	<b>17,897,487.86</b>	<b>43.92%</b>	<b>39,728,362.85</b>	<b>99.99%</b>	<b>17,897,487.86</b>	<b>45.05%</b>

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

Age	2011-6-30			2011-1-1		
	Amount	Proportion%	Bad debt provision	Amount	Proportion%	Bad debt provision
Within 1 year	17,364,645.69	63.32%	-	17,057,647.67	64.61%	-
1-2 years	326,451.19	1.19%	26,315.16	106,541.60	0.40%	5,327.08
2-3 years	1,365,346.96	4.98%	76,986.92	181,271.50	0.69%	36,254.30
Over 3 years	8,366,034.00	30.51%	4,465,274.90	9,053,991.20	34.30%	4,526,995.60
<b>Total</b>	<b>27,422,477.84</b>	<b>100.00%</b>	<b>4,568,576.98</b>	<b>26,399,451.97</b>	<b>100.00%</b>	<b>4,568,576.98</b>

Single item with major amount in period-end or the account receivable of bad debt provision by solely impairment testing for single item with minor amounts



Units	Contents	Book balance	bad debt	Accruing proportion %	Reasons
staffs' house purchase fees	house purchase fees	217,892.57	217,892.57	100.00%	Predicted un-recovered due to long age
Tongcheng Industry		133,085.87	133,085.87	100.00%	Predicted un-recovered due to long age
other units		679,661.87	679,661.87	100.00%	Predicted un-recovered due to long age
<b>Total</b>		<b>1,030,640.31</b>	<b>1,030,640.31</b>	<b>100.00%</b>	

(2) In this reporting period, there were no accounts with actual cancel after verification.

2.3 There is no other accounts receivable due from shareholders holding 5% (including 5%) voting shares in this report period.

2.4 Top 5 amount of Other account receivable

Name	nature or content	Amount	Time	Proportion%
Shenzhen Tellus Automobile Service Development Co., Ltd.	loan and investment income	6,322,559.60	2-3 years	15.51%
Shenzhen Zhonghao Company	guarant liability of loan	5,000,000.00	over 3 years	12.27%
Jinbeili Household Appliance	contact accounts	2,706,983.51	over 3 years	6.64%
Shenzhen Petro-chemical Group	guarant liability of loan	1,914,796.79	over 3 years	4.70%
Shenzhen Xinglong Machinery Equipments Company	loan and interest	1,767,628.09	over 3 years	4.34%
<b>Total</b>		<b>17,711,967.99</b>		<b>43.46%</b>

2.5 Other account receivable from related parties see more details in No. 7 under Note6.

### 3. Long-term equity investment

Item	calculation method	Initial investment capital	2011-1-1	change (+, -)	2011-6-30	Impairment provision
subsidiary investment	Cost	263,839,543.61	263,839,543.61	-	263,839,543.61	-
Joint venture investment	Equity	41,952,480.00	34,699,346.17	-499,615.60	34,199,730.57	-
Affiliated investment	Equity	13,854,392.64	67,697,784.97	-925,900.00	66,771,884.97	-
Other equity investment	Cost	37,114,018.58	28,084,779.52	-	28,084,779.52	17,908,162.32
<b>Total</b>		<b>356,760,434.83</b>	<b>394,321,454.27</b>	<b>-1,425,515.60</b>	<b>392,895,938.67</b>	<b>17,908,162.32</b>

## Category and details of equity investment

Name of the companies been invested	Calculation method	Initial investment cost	2010-1-1	Change of increased/decreased	2010-6-30	Investment proportion%	Impairment provision	cash dividend of this period
<b>Investment in subsidiaries</b>								
Shenzhen Tefa Tellus Real Estate Co., Ltd	Cost method	31,152,888.87	31,152,888.87	-	31,152,888.87	100.00	-	-
Shenzhen Tefa Tellus Property Management Co., Ltd.	Cost method	5,021,970.88	5,021,970.88	-	5,021,970.88	100.00	-	-
Shenzhen Tefa Xinyongtong Industrial Co., Ltd.	Cost method	57,672,885.22	57,672,885.22	-	57,672,885.22	100.00	-	-
Shenzhen Zhongtian Industrial Co., Ltd.	Cost method	10,708,622.90	10,708,622.90	-	10,708,622.90	100.00	-	-
Shenzhen Automobile Industry Trading General Company	Cost method	126,251,071.57	126,251,071.57	-	126,251,071.57	100.00	-	-
Shenzhen SDG Huari Automobile Enterprise Co., Ltd.	Cost method	19,224,692.65	19,224,692.65	-	19,224,692.65	60.00	-	-
Shenzhen Tellus Real Estate Trading Co., Ltd.	Cost method	2,000,000.00	2,000,000.00	-	2,000,000.00	100.00	-	-
Shenzhen Huari TOYATO Automobile Sale Service Co., Ltd.	Cost method	1,807,411.52	1,807,411.52	-	1,807,411.52	60.00	-	-
Shenzhen Xinyongtong Vehicle Inspection Equipment Co., Ltd.	Cost method	10,000,000.00	10,000,000.00	-	10,000,000.00	51.00	-	-
<b>Subtotal</b>		<b>263,839,543.61</b>	<b>263,839,543.61</b>	<b>-</b>	<b>263,839,543.61</b>		<b>-</b>	
<b>Investment in joint venture</b>								
Shenzhen Tellus GEM Investment Co., Ltd.	Equity method	28,352,480.00	26,290,773.52	-406,350.00	25,794,423.52	50.00	-	-
Shenzhen Telixing Investment Co., Ltd.	Equity method	13,600,000.00	8,408,572.65	-3,265.60	8,405,307.05	50.00	-	-
<b>Subtotal</b>		<b>41,952,480.00</b>	<b>34,699,346.17</b>	<b>-499,615.60</b>	<b>34,199,730.57</b>		<b>-</b>	
<b>Investment in affiliated enterprises</b>								
Shenzhen Xinlong Machinery Mould Co., Ltd.	Equity method	2,554,392.64	6,443,032.32	24,000.00	6,467,032.32	30.00	-	-
Shenzhen Tellus Auto Services Development Co., Ltd.	Equity method	800,000.00	-	-	-	40.00	-	-
Shenzhen Renfu Tellus Automobile Services Co., Ltd.	Equity method	10,500,000.00	61,254,752.65	-949,900.00	60,304,852.65	35.00	-	5,250,000.00
<b>Subtotal</b>		<b>13,854,392.64</b>	<b>67,697,784.97</b>	<b>-925,900.00</b>	<b>66,771,884.97</b>		<b>-</b>	<b>5,250,000.00</b>
<b>Other equity investment</b>								
China Pufa Machin Industry General Com	Cost method	10,176,617.20	10,176,617.20	-	10,176,617.20	5.30	-	-
Hunan Changyang Industry Co., Ltd.	Cost method	6,900,000.00	1,810,540.70	-	1,810,540.70	36.55	1,810,540.70	-
Shenzhen Hanli High-tech Pottery Co.,	Cost method	3,466,000.00	1,956,000.00	-	1,956,000.00	80.00	1,956,000.00	-
Shenzhen Jiecheng Electronics Co., Ltd.	Cost method	3,150,000.00	3,225,000.00	-	3,225,000.00	45.00	3,225,000.00	-
Shenzhen Jingwei Industry Co., Ltd.	Cost method	4,000,000.00	4,000,000.00	-	4,000,000.00	12.50	4,000,000.00	-
Shenzhen (Moscow) Co., Ltd.	Cost method	825,000.00	825,000.00	-	825,000.00	7.00	825,000.00	-
Wuhan Weite Hotel	Cost method	640,000.00	640,000.00	-	640,000.00	-	640,000.00	-
Shenzhen Xiandao Chemistry New Material	Cost method	7,256,401.38	4,751,621.62	-	4,751,621.62	40.00	4,751,621.62	-
Shenzhen Petroleum Chemistry (Group) Co.	Cost method	700,000.00	700,000.00	-	700,000.00	100,000.00	700,000.00	-
<b>Subtotal</b>		<b>37,114,018.58</b>	<b>28,084,779.52</b>	<b>-</b>	<b>28,084,779.52</b>		<b>17,908,162.32</b>	
<b>Total</b>		<b>366,760,434.83</b>	<b>394,321,454.27</b>	<b>-1,425,515.60</b>	<b>392,895,938.67</b>		<b>17,908,162.32</b>	<b>5,250,000.00</b>

## 4. Operating income and cost

type	Operating income		Operating cost		Operating profit	
	Jan.-Jun.2011	Jan.-Jun.2010	Jan.-Jun.2011	Jan.-Jun.2010	Jan.-Jun.2011	Jan.-Jun.2010
<b>Primary business</b>						
Tenancy service	6,559,038.23	6,347,830.14	2,025,180.40	2,045,111.40	4,533,857.83	4,302,718.74
<b>Total</b>	<b>6,559,038.23</b>	<b>6,347,830.14</b>	<b>2,025,180.40</b>	<b>2,045,111.40</b>	<b>4,533,857.83</b>	<b>4,302,718.74</b>

## 5. Investment income

## (1) Particulars about investment income

Item	Jan. - Jun. 2011	Jan. - Jun. 2010
Income of long-term equity investment calculated based on cost	33,574.75	-
Income of long-term equity investment calculated based on equity	3,740,484.40	4,012,405.21
Investment income from disposal of long-term equity investment	-	-
Investment income from disposal of transactional financial assets	-	-
<b>Total</b>	<b>3,774,059.15</b>	<b>4,012,405.21</b>

## (2) Income of long-term equity investment calculated based on equity

Company name	Jan. - Jun. 2011	Jan. - Jun. 2010	Reason of change (+, -)
Shenzhen Renfu Tellus Auto Service Co., Ltd.	4,300,100.00	4,420,500.00	Profit decreased
Shenzhen Tellus GEM Investment Co., Ltd.	-496,350.00	-318,500.01	Losses increased
Shenzhen Tellus Automobile Service Chain Co., Ltd.	-84,000.00	-129,200.00	Losses increased
Shenzhen Xinlong Machinery Mould Co., Ltd.	24,000.00	17,700.00	
Shenzhen Telixing Investment Co., Ltd.	-3,265.60	21,905.22	
<b>Total</b>	<b>3,740,484.40</b>	<b>4,012,405.21</b>	

## Note 12 Supplemental Material

## 1. Non-recurring gains and losses

Items	January-June 2011	January-June 2010
Gains/losses from disposal of non-current asset(non-equity assets)	-	162,896.89
Funds occupied capital received from non-financial enterprises reckoned into current gains/losses	37,708.32	31,458.32
Non-operating income and expenses except for abovesaid items	-138,080.16	1,897.08
<b>Total</b>	<b>-100,371.84</b>	<b>196,252.29</b>

## 2. Return on equity and earnings per share

Items	Net return on weighted average assets(%)	earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of listed company	0.29%	0.002	0.002
Net profit after deducting the non-recurring losses and gains	0.34%	0.003	0.003

## 3. Explanation on the extraordinary situation and the reasons for accounting statement

Item	2011-6-30	2011-1-1	Increase/decreased amount	Change range	Notes
other accounts receivable	21,095,058.70	13,743,165.24	7,351,893.46	53.5%	contact accounts increased
Prepaid accounts	7,834,310.63	10,212,371.68	-2,378,061.05	-23.3%	Prepaid car models for settlement
construction in process	922,279.81	-	922,279.81		project constructed from this period
non-current liabilities due within 1 year	16,440,000.00	8,640,000.00	7,800,000.00	90.3%	long-term loan due within 1 year increased
Item	amount of this period	amount of the same	Increase/decreased amount	Change range	Notes
non-operating income	21,394.84	185,957.64	-164,562.80	-88.5%	income from disposal of fixed asset at the same
non-operating expenses	159,475.00	21,163.67	138,311.33	653.5%	Other current operating expenses increased
income tax	207,019.50	451,955.63	-244,936.13	-54.2%	profit of this period decreased
other comprehensive income	24,312.75	-460,971.20	485,283.95	105.3%	market value of financial asset available for sale
net cash flow arising from operating activities	6,776,674.04	-19,733,147.73	26,509,821.77	-134.3%	payment for contact accounts of the same
net cash flow arising from investing activities	-1,480,669.66	-854,895.15	-625,774.51	73.2%	construction in process increased
net cash flow arising from financing activities	-14,821,846.68	-3,892,694.28	-10,929,152.40	280.8%	payment for bank loan of this period increased

---

## **Section VIII DOCUMENTS AVAILABLE FOR REFERENCE**

The Company reserved complete integrated documents for CSRC, SZSE, relevant departments and investing public to refer to. The documents for reference were as follows:

- I. Semi-annual Report enclosed with signature of President
- II. Text of Financial Report personal enclosed with signatures and seals of Legal Representative, Person in Charge of Accounting and Person in Charge of Accounting Department;
- III. Originals of all documents and announcements disclosed in newspapers designated by CSRC in Period
- IV. Other relevant information

Chairman: Zhang Ruili

Board of Directors of  
Shenzhen Tellus Holding Co., Ltd.

12 August 2011