



**SHENZHEN TELLUS HOLDING CO., LTD**

**Annual Report 2015**

**April 2016**

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

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

**Lv Hang, Principal of the Company, Yang Jianping, person in charger of accounting works and Ke Wensheng, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2015 Annual Report is authentic, accurate and complete.**

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

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

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

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## Paraphrase

Items	Refers to	Contents
CSRC	Refers to	China Securities Regulatory Commission
SZ Exchange	Refers to	Shenzhen Stock Exchange
Shenzhen Branch of SD&C	Refers to	Shenzhen Branch of China Securities Depository & Clearing Corporation Limited
Company, the Company, our Company, Tellus Group	Refers to	Shenzhen Tellus Holding Co., Ltd.
Reporting period, this reporting period, this year	Refers to	Year of 2015
Auto Industry and Trade Co.,	Refers to	Shenzhen Auto Industry and Trade Corporation
Zhongtian Company	Refers to	Shenzhen Zhongtian Industrial Co., Ltd.

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	Tellus-A, Tellus-B	Stock code	000025, 200025
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳市特力(集团)股份有限公司		
Short form of the Company (in Chinese)	深特力		
Foreign name of the Company (if applicable)	Shenzhen Tellus Holding Co.,Ltd		
Legal representative	Lv Hang		
Registrations add.	3/F, Tellus Building, Shui Bei Er Road, Luohu District, Shenzhen		
Code for registrations add	518020		
Offices add.	15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen		
Codes for office add.	518031		
Company's Internet Web Site	www.tellus.cn		
E-mail	ir@tellus.cn		

### II. Person/Way to contact

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

### III. Information disclosure and preparation place

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

### IV. Registration changes of the Company

Organization code	19219221-0
Changes of main business since listing (if applicable)	<p>Before 26 May 1993, business scope of the Company: engaged in metal working machinery, general equipment, general component, abrasive tools, abrasive materials, instrument, micro motor, home appliances, electronic component, electronic device, electronic computer and accessories, auto parts, rubber products and construction materials. Self-operated products manufacture by the Company and owned enterprises such as self-used production raw materials, metal working machinery and general equipment; import &amp; export of general component. Business scope of the Company changed dated 26 May 1993 as: engaged in metal working machinery, general equipment, general component, abrasive tools, abrasive materials, instrument, micro motor, home appliances, electronic component, electronic device, electronic computer and accessories, auto parts, rubber products, construction materials, metal materials, chemical materials and products, plastic products, hardware tools, warehousing &amp; transportation and general equipment; self-operated products manufacture by the Company and owned enterprises such as self-used production raw materials and metal working machinery; import &amp; export of general component; import and export business complies with the approval certificate (Shen Mao Guan Shen Zheng Zi No.098). Business scope of the Company changed dated 22 January 1997 as: develop enterprises (specific projects needs application); warehousing &amp; transportation, processing on giving materials for machinery component and mechanic assembly. Domestic business and supply &amp; marketing industry of materials (excluding monopolized commodity and commodity under special government control). Self-operated products manufacture by the Company and owned enterprises such as self-used production raw materials and metal working machinery; import &amp; export of general component; import and export business complies with the approval certificate (Shen Mao Guan Shen Zheng Zi No.098). Business scope of the Company changed dated 3 December 2009 as: develop enterprises (specific projects needs application); develop and operate the real estate business on the land with usage rights obtained legally; domestic business and supply &amp; marketing industry of materials (excluding monopolized commodity and commodity under special government control); rental and management for self-owned property. Self-operated products manufacture by the Company and owned enterprises such as self-used production raw materials and metal working machinery; import &amp; export of general component; import and export business complies with the approval certificate (Shen Mao Guan Shen Zheng Zi No.098). On 2 July 2014, business scope changed as: investment industrial projects (specific project shall be declared upon separately); domestic commerce, supply and marketing of material (monopolized commodities, commodity under special government control and licensed commodity excluded ); self-owned property lease and management. Self-running the home-grown products of the Company and owned enterprise, personal productive material, metal working machinery, import and export business of the parts common; import and export are handle in line with the Accreditation Certificate of Foreign Trade: Shen Mao Guan Zheng Zi No. 098</p>
Previous changes for controlling	1. On 31 March 1997, the 159,588,000 state shares held by Shenzhen Investment Management Co., Ltd., the only non-circulation shareholder, were transfer to SDG;

shareholders (if applicable)	total share capital of the Company was 220,281,600 shares while 159,588,000 state shares held by SDG, a 72.45% in total share capital. 2. On 4 January 2006, the 13,717,440 shares, as the consideration of share merger reform, were transfer to account of A-shareholders from SDG. After share merger reform, SDG holds 66.22% of the total share capital of the Company. 3. On March 27, 2015, the company has completed the non-public offering of A shares of 77,000,000, of which 6,000,000 shares are issued to the controlling shareholder - SDG, and SDG holds 51.09% of the Company's total shares after the issuance.
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## V. Other relevant information

CPA engaged by the Company

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

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

☒ Applicable ☐ Not applicable

Name of the sponsor	Offices add. for the sponsor	Name of sponsor representative	Continuous supervision period
HUAXI Securities Co., Ltd		Yu Chenguang, Huang Bin	Until 2016-12-31

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

☐ Applicable ☒ Not applicable

## VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

☐ Yes ☒ No

	2015	2014	Changes over last year	2013
Operating income (RMB)	303,726,790.57	464,987,527.80	-34.68%	486,729,308.18
Net profit attributable to shareholders of the listed company(RMB)	42,768,789.52	10,345,217.67	313.42%	7,185,944.01
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	28,588,480.42	8,775,007.16	225.79%	-15,228,791.55
Net cash flow arising from operating activities(RMB)	80,682,627.33	6,214,706.85	1,198.25%	-2,629,634.80
Basic earnings per share	0.1538	0.0470	227.23%	0.0326

(RMB/Share)				
Diluted earnings per share (RMB/Share)	0.1538	0.0470	227.23%	0.0326
Return on Equity	6.21%	5.53%	0.68%	4.02%
	End of 2015	End of 2014	Changes over end of last year	End of 2013
Total assets (RMB)	1,168,667,927.49	806,324,777.80	44.94%	702,180,174.03
Net assets attributable to shareholder of listed company (RMB)	868,169,052.32	191,880,262.80	352.45%	182,370,970.80

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

## VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	81,285,344.52	77,206,437.32	73,318,969.97	71,916,038.76
Net profit attributable to shareholders of the listed company	788,018.17	6,862,337.85	11,044,774.84	24,073,658.66
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	768,943.67	6,747,596.04	2,578,864.40	18,493,076.31
Net cash flow arising from operating activities	29,617,359.36	4,245,523.34	4,042,657.15	42,777,087.48

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial



index disclosed in the company's quarterly report and semi-annual report

☐ Yes ☒ No

## IX. Items and amounts of extraordinary profit (gains)/loss

☒ Applicable ☐ Not applicable

In RMB

Item	2015	2014	2013	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-34,345.09	148,486.49	32,501,637.93	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	371,850.00			
Gains and losses of investment or management of assets	5,740,301.35			Proceeds of financial products
Gains/losses from contingency without routine business concerned	-61,965.00	438,195.19	-2,130,200.00	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company		1,226,127.75		
Restoring of receivable impairment provision that tested individually	31,980.00	47,282.17		
Other non-operating income and expenditure except for the aforementioned items	118,638.89	248,824.36	-391,032.13	
other items (gain/loss) conformed to the definition of the extraordinary profit (gain)/loss	9,722,688.86			Terminating the post-employment benefit plans for retirees caused the reduction of the present value of the benefit plan obligation
Less: Impact on income tax	1,576,392.95	506,161.39	7,495,101.45	
Impact on minority shareholders' equity	132,446.96	32,544.06	70,568.79	

(post-tax)				
Total	14,180,309.10	1,570,210.51	22,414,735.56	--

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

☐ Applicable    ☒ Not applicable

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

## Section III Summary of Company Business

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

The company's main business is auto sales; automobile inspection, maintenance and accessories sales; property leasing and services business. In 2014, the company developed the "Business Transformation Development Program of Test Rite Group", defined the strategic development transformation direction to jewelry industry comprehensive service provider, during the reporting period, the company has firmly promoted the company's strategic transformation in accordance with the strategic plan, gone into in-depth study of the industry status after multilateral research, formed the preliminary ideas for a new business model, and indicated directions for the company's transformation. Below shall introduce the company's main business and market conditions:

1. Auto sales; automobile inspection, maintenance and accessories sales: influenced by the domestic economic slowdown and weakness of end consumer market and other factors, in 2015, the domestic automobile production and sales growth continued to decline, the market situation of auto sales is grim. By the end of 2014, Shenzhen Municipal Government has started to regulate and control the increment of cars, which brings tremendous impact on car sales business in Shenzhen City, affected by this, the company's auto sales revenue during the reporting period was 134,916,200 yuan, a decrease of 56.47% compared to the same period of last year. In face of the unfavorable situation, the company has promptly adjusted the business strategy, on the one hand, adjusted the sales mode, pursued the efficiency and quality sales, and strengthened the sales profit management. On the other hand, the company has strictly controlled the costs, simplified the staff positions, significantly reduced the financial costs; at the same time, utilized the company's brand advantages in automobile maintenance to enlarge and refine the vehicle maintenance and repair and enhance the profitability growth. During the reporting period, the company's business income in vehicle inspection and maintenance and accessories sales and the gross margin have increased on a year-on-year basis, while the auto sales business has reduced.
2. Property leasing and services: affected by the jewelry market condition at the end of 2014, since 2015, the rental prices at the distributing centers for jewelry enterprises in Shuibei, Buxin areas of Shenzhen have shown a downward trend, the lessees in these areas have kept requiring for reducing the rents or terminating the contracts ahead of schedule. In face of this unfavorable situation, the company has adhered to market-oriented operation, and realized the promotion of rental unit price and market value by developing the rental price system close to the market level; actively responded to declining rents, surrender of tenancy, and rent reduction, etc., improved the service quality, strengthened the propagation, and properly resolved the customer appeals; actively explored the market, integrated the resources, taken various measures to improve the lease area and rental prices, and finally achieved the annual rent revenue with a year-on-year growth of 29.8%.
3. Property management business: currently, the property management industry has entered a new period of development. With the popularity of mobile intelligent terminals, the Internet, Internet of Things and other intelligent community have become a new trend in property development. In order to meet the new situation, the company has taken various measures to actively face the market changes. On the one hand, the company tried to stimulate the employees' enthusiasm and sense of service through innovative management models, improved the operational efficiency by establishing the service regulatory system and increasing the revenue and reducing the expenditure, during the reporting period, the property management business has reduced 1.84 million yuan on a year-on-year basis; on the other hand, the company shall take the property management project of Tellus Shuibei Jewelry Building as an opportunity, learn from the outstanding enterprises, effectively improve the service capabilities, lay a solid foundation for fully taking over Tellus Shuibei Jewelry Building, and transform to high-end

property management services.

The company will strive to improve the business management and cost control levels, maintain the stability of existing business, explore and promote the strategic landing program, and accelerate the pace of transformation in accordance with the established strategic direction.

## II. Major changes in main assets

### 1. Major changes in main assets

Major assets	Note of major changes
Equity assets	No major change
Fixed assets	No major change
Intangible assets	No major change
Construction in progress	Up to December 31, 2015, the value of construction in progress is 27,905.67 Million Yuan, increases 15,650.52 Million Yuan compared with the early period, which comes from the continuous input of Shuibei building

### 2. Main overseas assets

☐ Applicable ☒ Not applicable

## III. Core Competitiveness Analysis

Shenzhen is the main gathering place of China's jewelry industry, Shuibei is the core gathering area of Shenzhen jewelry industry, the company holds a large number of properties in Shuibei area, and has provided various stable services for many leading enterprises in jewelry industry in Shenzhen and established good cooperative relations with many jewelry enterprises over the years; the project of Tellus Jimeng Gold Jewelry Industrial Park located in Shuibei core area has been listed as one of the 11 pilot projects in the transformation of old industrial zones of Shenzhen City, the company shall become the largest owner of this industrial park through its wholly owned and joint owned and associated enterprises. Currently all renovation projects in the industrial park have almost been completed and will be put into use in 2016. The company can make use of leading enterprises in jewelry industry that have strategic partnership with the company to gather the jewelry enterprises and attract talents to enter the industrial park.

As a state-owned holding listed company, the company has good market credibility, and possesses diversified and low-cost financing channels, by virtue of the identity of the third party jewelry operator, can attract distributors by providing resources, financial services and capital operation to the jewelry manufacturers, and builds regional channel platform. After the formation of regional channel platforms, the company can provide more services for the jewelry manufacturers in industrial park. Meanwhile, with the help of channel resources and financial services, the company can enhance the attractiveness to retailers and create a terminal platform for regional retails, and eventually form an ecological circle for Tellus jewelry industry, therefore, the company can integrate each industry chain in the ecological circle and generate preliminary market influence on the industry upstream and downstream by gathering the manufacturers, distributors, terminal retailers resources with the identity of the third party jewelry operator.

## Section IV Discussion and Analysis by the Management Team

### 1. Introduction

#### (1) Introduction of the company

In 2015, the global economy has shown the profound adjustment, the overall economic recovery in developed countries has been unstable, the economic growth rate of emerging economies has slowed down, affected by optimization of economic structure, conversion of growth momentum, and deepening of reform, the domestic economic growth has also slowed down and entered the new normal of turning from high-speed growth into medium and high-speed growth. In face of the complex external environment, under the leadership of the board of directors, the company has unswervingly promoted the strategic transformation of the company, developed a third-party platform to focus on the jewelry industry, continued to promote the integration, transformation and upgrading of jewelry industry, built an ecological circle for Tellus jewelry industry, and enhanced the industry value chain.

During the reporting period, the company has achieved operating income of 303,730,000 yuan, reduced by 161,260,000 yuan compared with 464,990,000 yuan in the same period of last year, a decrease of 34.7%, which is mainly because the auto revenue of Huari Company has greatly declined affected by the car-purchase restriction policy. Total profits are 47,290,000 yuan, an increase of 37,260,000 yuan compared with 10,030,000 yuan in the same period of last year, the net profit belonging to parent company is 42,770,000 yuan, an increase of 32,420,000 yuan compared with 10,350,000 yuan in the same period of last year. The main reasons for the increase in total profit are: ① During the reporting period, due to the termination of relevant employee retirement benefit plan and the release of long-term employee pay payable and period expenses of 9.72 million yuan, the total profit has increased by 9.72 million yuan, and the net profit belonging to shareholders of listed company has increased by 8.49 million yuan; ② rental income has increased by 17,460,000 yuan; ③ financial expenses have decreased by 10.2 million yuan (excluding Huari Company), mainly because the interest on bank loans has decreased, and the income of financial products preserving for interest and principle have increased; ④ operation income of Huari Company has reduced by 3.39 million yuan on a year-on-year basis. Profit-cutting factors are mainly due to the sharp decline in operating performance of shareholding enterprise - Zung Fu Company, the investment income has reduced by 12 million yuan on a year-on-year basis. Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses is 28,590,000 yuan, an increase of 19,810,000 yuan compared with the same period of last year.

## II. Main business analysis

### 1. Introduction

See the "I-Introduction" in "Discussion and Analysis by the Management Team"

### 2. Revenue and cost

#### (1) Constitute of operation revenue

In RMB

	2015		2014		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	

Total of operation revenue	303,726,790.57	100%	464,987,527.80	100%	-34.68%
According to industries					
Auto sales	134,916,197.98	44.42%	309,927,524.30	66.65%	-56.47%
Auto inspection and maintenance and accessories sales	48,256,203.33	15.89%	45,604,870.24	9.81%	5.81%
Property rental and service	107,533,087.06	35.40%	96,018,663.22	20.65%	11.99%
Other	13,021,302.20	4.29%	13,436,470.04	2.89%	-3.09%
According to products					
Auto sales	134,916,197.98	44.42%	309,927,524.30	66.65%	-56.47%
Auto inspection and maintenance and accessories sales	48,256,203.33	15.89%	45,604,870.24	9.81%	5.81%
Property rental and service	107,533,087.06	35.40%	96,018,663.22	20.65%	11.99%
Other	13,021,302.20	4.29%	13,436,470.04	2.89%	-3.09%
According to region					
Shenzhen	303,726,790.57		464,987,527.80		

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

√Applicable    □ Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
Auto sales	134,916,197.98	128,438,474.70	4.80%	-56.47%	-57.97%	3.39%
Auto inspection and maintenance and accessories sales	48,256,203.33	38,505,305.64	20.21%	5.81%	5.01%	0.61%
Property rental and service	107,533,087.06	46,464,850.80	56.79%	11.99%	3.82%	3.40%
According to products						

Auto sales	134,916,197.98	128,438,474.70	4.80%	-56.47%	-57.97%	3.39%
Auto inspection and maintenance and accessories sales	48,256,203.33	38,505,305.64	20.21%	5.81%	5.01%	0.61%
Property rental and service	107,533,087.06	46,464,850.80	56.79%	11.99%	3.82%	3.40%
According to region						
Auto sales	134,916,197.98	128,438,474.70	4.80%	-56.47%	-57.97%	3.39%
Auto inspection and maintenance and accessories sales	48,256,203.33	38,505,305.64	20.21%	5.81%	5.01%	0.61%
Property rental and service	107,533,087.06	46,464,850.80	56.79%	11.99%	3.82%	3.40%

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

☐ Applicable ☒ Not applicable

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

☒ Yes ☐ No

Industries	Item	Unit	2015	2014	Increase/decrease y-o-y
Auto sales (vehicle)	Sales volume	vehicle	882	2,026	-56.47%
	Storage	vehicle	87	329	-73.56%

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

☒ Applicable ☐ Not applicable

The current sales volume decrease is mainly due to the influence of car-purchase restriction policy in Shenzhen, the vehicle sales number has reduced on a year-on-year basis; the decrease in inventory is mainly because the suppliers have adjusted the annual targets and intensify efforts to clean up inventory at the beginning.

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

☐ Applicable ☒ Not applicable

### (5) Constitute of operation cost

Classification of industries and products

In RMB

Industries	Item	2015		2014		Increase/decrease y-o-y
		Amount	Ratio in operation	Amount	Ratio in operation	

			cost		cost	
Auto sales	Auto products	128,438,474.70	58.92%	305,567,651.81	78.47%	-57.97%
Auto inspection and maintenance and accessories sales	Raw materials	38,505,305.64	17.66%	36,668,260.73	9.42%	5.01%
Property rental and service	Other	46,464,850.80	21.31%	44,756,421.29	11.49%	3.82%
Other	Other	4,583,585.06	2.11%	2,431,285.86	0.62%	88.53%

In RMB

Products	Item	2015		2014		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Auto sales	Auto products	128,438,474.70	58.92%	305,567,651.81	78.47%	-57.97%
Auto inspection and maintenance and accessories sales	Raw materials	38,505,305.64	17.66%	36,668,260.73	9.42%	5.01%
Property rental and service	Other	46,464,850.80	21.31%	44,756,421.29	11.49%	3.82%
Other	Other	4,583,585.06	2.11%	2,431,285.86	0.62%	88.53%

Note

Operation cost for year of 2015 was RMB 217,992,216.20, a 44.02% decline y-o-y. Main business cost was RMB 213, 408,631.14, a 44.85% decline y-o-y.

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

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

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

Major sales client of the Company

Total top five clients in sales (RMB)	15,105,153.41
Proportion in total annual sales volume for top five clients	4.97%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Shenzhen Renfu Tellus Automobile Service	5,300,000.00	1.74%



	Co., Ltd.		
2	Shenzhen Yiquan Investment Consultants Co., Ltd.	3,528,000.00	1.16%
3	Shenzhen Branch of Ping An Bank Co., Ltd.	2,215,037.00	0.73%
4	He Junyi	2,101,733.08	0.69%
5	Shenzhen Power Supply Bureau Co. Ltd.	1,960,383.33	0.65%
Total	--	15,105,153.41	4.97%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	131,539,531.75
Proportion in total annual purchase amount for top five suppliers	96.69%

Information of top five suppliers of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	FAW TOYOTA Motor Sales Co., Ltd.	111,445,306.09	81.92%
2	Shenzhen Huatong Auto Parts Co., Ltd.	15,970,557.66	11.74%
3	TOYOTA Motor (China) Investment Co., Ltd.	2,161,130.00	1.59%
4	Guangzhou Xinju Enterprise Development Co., Ltd.	992,999.00	0.73%
5	Shenzhen New Wanxing Industrial Co. Ltd.	969,539.00	0.71%
Total	--	131,539,531.75	96.69%

Other notes of main suppliers of the Company

☐ Applicable ☒ Not applicable

### 3. Expenses

In RMB

	2015	2014	Increase/decrease y-o-y	Note of major changes
Sales expense	14,718,877.28	21,073,376.98	-30.15%	Mainly affected by the purchase limit of the car policy, reduced car sales lead to reduced car sales cost
Management expense	32,881,868.90	43,509,348.15	-24.43%	Mainly due to the release of long-term employee pay payable and period expenses

Financial expense	4,343,688.83	17,771,137.44	-75.56%	Mainly due to the decrease in interest expense and increase in interest income
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#### 4. R&D investment

☐ Applicable ☒ Not applicable

#### 5. Cash flow

In RMB

Item	2015	2014	Y-o-y changes
Subtotal of cash in-flow from operation activity	354,088,861.88	524,941,895.67	-32.55%
Subtotal of cash out-flow from operation activity	273,406,234.55	518,727,188.82	-47.29%
Net cash flow from operation activity	80,682,627.33	6,214,706.85	1,198.25%
Subtotal of cash in-flow from investment activity	372,580,441.92	6,803,919.00	5,375.97%
Subtotal of cash out-flow from investment activity	732,978,461.70	103,733,506.30	606.60%
Net cash flow from investment activity	-360,398,019.78	-96,929,587.30	275.97%
Subtotal of cash in-flow from financing activity	660,198,215.03	505,529,894.01	30.60%
Subtotal of cash out-flow from financing activity	361,209,488.42	397,936,251.56	-9.23%
Net cash flow from financing activity	298,988,726.61	107,593,642.45	177.89%
Net increased amount of cash and cash equivalent	19,139,041.28	16,879,221.55	13.39%

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

☒ Applicable ☐ Not applicable

Item	2015	2014	Y-o-y changes	Note
Cash inflows from operating activities	354,088,861.88	524,941,895.67	-32.55%	Mainly because automobile sales revenue declined which was affected by the purchase of the car policy
Cash flow from	273,406,234.55	518,727,188.82	-47.29%	Mainly because the increase efforts

operating activities				to sell the beginning of inventory and the reduction in vehicle purchases
Net cash flow from operation activity	80,682,627.33	6,214,706.85	1,198.25%	Mainly because the subsidiary Huari Toyota Company has sold the inventory vehicles of last year in current period resulting in an increase in net operating cash inflow
Subtotal of cash in-flow from investment activity	372,580,441.92	6,803,919.00	5,375.97%	Mainly because the bank guaranteed financial products are due and withdrawn in current period resulting in increase in cash inflow
Subtotal of cash out-flow from investment activity	732,978,461.70	103,733,506.30	606.60%	Mainly because the purchase of bank guaranteed financial products and continuous investment in construction projects of Zhongtian Company in current period have increased the cash outflow
Net cash flow from investment activity	-360,398,019.78	-96,929,587.30		Mainly because the purchase of bank guaranteed financial products in current period has increased the expenditures and the continuously investment of the construction projects increased the cash expenditures
Subtotal of cash in-flow from financing activity	660,198,215.03	505,529,894.01	30.60%	Mainly because the directional issuance of additional placement in current period has increased the cash inflow
Net cash flow from financing activity	298,988,726.61	107,593,642.45	177.89%	Mainly because the directional issuance of additional placement in current period has increased and the bank financing net expenditures have increased on a year-on-year basis

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

√Applicable □ Not applicable

In current period, the cash inflow increased by directional issuance of additional placement and the cash outflow increased by credit repayment have increased the net cash flow of 298,988,726.61 yuan from the financial

activities; at the same time, net cash flow from the increase of financial products investment and the investing activities for Shuibei Jewelry Building is - 360,398,019.78 yuan.

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

☐ Applicable ☒ Not applicable

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

	End of 2015		End of 2014		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	159,184,710.93	13.62%	80,045,669.65	9.93%	3.69%	Private placement to raise funds to increase
Account receivable	562,051.31	0.05%	1,373,257.89	0.17%	-0.12%	
Inventory	16,151,336.61	1.38%	48,209,026.18	5.98%	-4.60%	Automobile inventory reduction
Investment property	82,100,133.48	7.03%	85,083,745.72	10.55%	-3.52%	
Long-term equity investment	220,180,721.29	18.84%	211,270,265.80	26.20%	-7.36%	
Fix assets	136,583,565.00	11.69%	142,849,121.72	17.72%	-6.03%	
Construction in process	279,056,650.35	23.88%	122,551,469.97	15.20%	8.68%	Major transit companies in the construction project continued to invest
Short-term loans		0.00%	74,719,672.00	9.27%	-9.27%	This issue is mainly due to the return of bank borrowings and loans to the parent company will be re classified to other payment
Long-term loans		0.00%	178,597,550.55	22.15%	-22.15%	

#### 2. Assets and liability measured by fair value

☐ Applicable ☒ Not applicable

## V. Investment

### 1. Overall situation

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### 4. Financial assets investment

#### (1) Securities investment

☐ Applicable ☒ Not applicable

The company had no securities investment in the reporting period.

#### (2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period

### 5. Application of raised proceeds

☒ Applicable ☐ Not applicable

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

☒ Applicable ☐ Not applicable

In 10 thousand Yuan

Year	Way	Total raised capitals	Total raised capital used in Period	Total accumulative raised capitals used	Total raised capital has purpose of uses changed in Period	Cumulative raised capitals has purpose of uses changed in total	Ratio of cumulative raised capitals has purpose of uses changed	Total accumulative raised capitals unused	Usage of the retained raised capitals and what is expected to invested with those capitals	Raised capitals idle for more than two years
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2015	Non - Public Offering	63,352.00	39,723.44	39,723.44	0	0	0.00%	63,352.00	The Company used temporari ly idle funds to purchase guaranteed financial products 230 million yuan, raise funds account balances for 12,221,500 yuan	0
Total	--	63,352.00	39,723.44	39,723.44	0	0	0.00%	63,352.00	--	0
Explanation on General usage of raised capital										
<p>According to the "Proposal of the company's plan for non-public offering of shares" and other related proposals deliberated and approved by the company's 19<sup>th</sup> extraordinary meeting of the seventh board of directors and the 4<sup>th</sup> extraordinary general meeting of 2014, and the "Approval for non-public offering of shares of Shenzhen Test Rite (Group) Co., Ltd." (CSRC license No. [2015]173) approved by China Securities Regulatory Commission, the Company has adopted non-public offering of shares to issue RMB ordinary shares (A shares) of 77 million shares, and the issue price is 8.40 yuan /share. The total raised funds of this issuance are 646,800,000 yuan, the net amount of raised funds is 633,520,000 yuan after deducting the issuance costs of 13,280,000 yuan. On March 12, 2015, Ruihua Certified Public Accountants (special general partnership) has verified the capital of this issuance and issued "Capital Verification Report" RHYZ No. [2015]48330003. During the reporting period, the company has totally put into raised funds of 397,234,400 yuan, and accumulated to put into raised funds of 397,234,400 yuan, including 205,734,400 yuan used for Tellus Shuibei Jewelry Building, and 191,500,000 yuan used to supplement working capital.</p>										

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

√Applicable □Not applicable

In 10 thousand Yuan

Committed investment projects & investment of raised fund	Projects changed or not (including changed partially)	Total committe d investme nt of raised capitals	Total investme nt after adjustme	Amount invested in this period	Amount of accumula ted investme nt till the period-en	Investme nt program till the period-en d (3)=(2)/(1	Predicted serviceab le condition date of project	Profit realized in this year	Reach the predicted interest or not	Project feasibility was changed hugely or not
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			nt (1)		d (2)	)				
Investment project commitment										
Tellus Shuibei Jewelry Building	No	26,000	26,000	20,573.44	20,573.44	79.13%	2016.12.1	0	No	No
Liquid assets supplementation of the Company	No	37,352.00	37,352.00	19,150	19,150	51.27%		0	No	No
Subtotal of commitment projects	--	63,352.00	63,352.00	39,723.44	39,723.44	--	--	0	--	--
Investment orientation for fund arising out of plan										
Not applicable										
Total	--	63,352.00	63,352.00	39,723.44	39,723.44	--	--	0	--	--
Situation about not coming up to schemed progress or expected revenue and the reason(In specific project)	<p>1. Tellus Shuibei Jewelry Building has currently completed the main construction, of which the office building is expected to be put into use in November 2016 and the podium building is expected to be put into use in December 2016. 2. In the investment projects of raised funds for supplementing the company's working capital: (1) Repayment of bank loans of 191,500,000 yuan has been completed in the reporting period. (2) The newly increased renovation costs of Tellus Shuibei project will be put into use as planned according to the project implementation progress, Actual investment may be less than the original plan. (3) Jewelry e-commerce business: the jewelry e-commerce business market is highly competitive, payback period is long, the company needs to invest huge marketing costs and resources in the business incubation period and withstand a certain operating risks and losses, which may bring adverse effects on the company's overall performance if investing the jewelry e-commerce platform according to the original plan under the current market situation, so the company has decided to suspend the plan to use raised funds to invest in this project. So we decided not to use the funds raised to invest in the project. (4) Jewelry retail market business: since 2015, affected by the decline of prosperity in jewelry industry and the raise of property costs, large jewelry retail markets across the country have shrunk the business and reduced the income and profits, if the company continued to invest large funds into the jewelry retail market, the business risks would be large, so the company has planned to reduce the investment scale in single retail market, change to cooperate with the jewelry distributors and operators in some second and third tier cities, establish the small jewelry retail stores with the help of their managerial experience and industry resources, accumulate the industry experience, and train the management team so as to enlarge the investment scale when the industry climate becomes better. (5) Jewelry training business: this project has not yet been put into use. The company has started to investigate some schools in early 2015 and found that there are already many jewelry training schools in Shenzhen Shuibei area and the market competition is rather intense; at the same time, affected by the decline of prosperity in jewelry industry, the demand for training business has substantially reduced. If the company invests in the construction of jewelry training schools, the return on investment is relatively low and the payback period is long, so the company has decided to suspend the investment plan for this project, and wait to argue until the business of jewelry service industry</p>									

	<p>goes smoothly and enough resources are accumulated. The raised funds in the original plan shall be used for other projects. (6) Automobile leasing business supporting the jewelry market: the project has not yet been put into use. One main reason is that Shenzhen Municipal Government announced the implementation of car-purchase restriction policy on December 29, 2014, the car purchase takes two methods, i.e. lottery and bidding, this policy made the company unable to carry out this business as planned; another reason is that the prosperity of jewelry industry has declined, the demand for automobile leasing has greatly reduced in jewelry industry of Shuibei, and the business prospects are influenced, so the company has decided to cancel the investment in this project. The raised funds in the original plan shall be used for other projects.</p>
Explanation on great changes of feasibility of project	Not applicable
Amount, usage and progress of using for fund raising out of the plan	Not applicable
Change of implementation place of investment project of raised capitals	Not applicable
Adjustment of implementation way for investment project of raised capitals	Not applicable
Regulation of implementation ways of investment project of raised capitals	<p>Applicable</p> <p>On April 27, 2015, the company held the thirtieth interim meeting of the seventh board of directors which deliberated and approved the motion about replacing the self-raised funds beforehand invested in fundraising project with the raise funds, and agreed the company to replace the self-raised funds of 114,162,000 Yuan invested in fundraising project with the raise funds, of which 15.6 million Yuan was used to replace and supplement the beforehand invested self-raised funds of the company's circulating funds and 98,562,000 Yuan was used to replace and supplement the beforehand invested self-raised funds of Tellus Shuibei Jewelry Building project. The company's independent director and sponsor institution have expresses their agreement on this matter.</p>
Temporarily supplement for the current capitals with idle raised capitals	Not applicable
Temporarily supplement for the current capitals with idle raised capitals	Not applicable
Invested in pre-phases	On April 28, 2015, the company held the twelfth meeting of the seventh board of directors which



and replacement for raised fund projects	deliberated and approved the proposal on the use of some idle raised funds to buy guaranteed financial products, authorized the company and its subsidiary – Zhongtian Company to use the idle funds to purchase guaranteed financial products, the total amount should not be more than 350 million yuan. As of December 31, 2015, the balance of the company's financial products is 230 million yuan. The remaining unused raised funds and financial income of 12,221,500 yuan have been saved in special account according to the regulations of "Raised-funds Management System" for subsequent construction of investment projects.
Issues or other conditions found in use of fund raised and disclosure	Not applicable

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

☐ Applicable ☒ Not applicable

The Company has no project of raised proceeds changed in the Period

## VI. Sales of major assets and equity

### 1. Sales of major assets

☐ Applicable ☒ Not applicable

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

### 2. Sales of major equity

☐ Applicable ☒ Not applicable

## VII. Analysis of main holding company and stock-jointly companies

☒ Applicable ☐ Not applicable

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

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shenzhen Auto Industry and Trade Corporation	Subsidiary	Sales of auto and accessories	RMB 58.96 million	294,288,382.93	250,732,485.52	18,563,825.42	19,925,371.43	17,846,264.75
Shenzhen SD Huari Automobile	Subsidiary	Auto maintenance and	US\$ 5 million	73,502,086.16	30,526,668.14	32,837,537.55	-3,024,915.96	-2,773,873.62

Enterprise Co. Limited		production and sales of accessories						
Shenzhen Zhongtian Industrial Co., Ltd	Subsidiary	Property rental	RMB 267.25 million	394,002,212.49	284,052,220.74	4,955,918.04	4,284,793.54	3,217,472.27
Shenzhen Huari Toyota Automobile Sales Co. Ltd	Subsidiary	Sales of automobile	RMB 2 million	38,009,203.46	-6,909,011.50	185,704,704.44	1,472,011.51	1,559,595.56
Shenzhen Xinyongtong Auto Vehicle Inspection Equipment Co., Ltd.	Subsidiary	Manufacture of inspection equipment for motor vehicle	RMB 19.61 million	14,902,191.79	2,526,780.16	4,085,453.00	1,251,276.89	934,101.38
Shenzhen Tellus Xinyongtong Automobile Development Co. Ltd	Subsidiary	Inspection and repair of motor vehicle	RMB 32.90 million	83,371,768.38	45,271,182.86	12,820,360.58	2,261,995.35	1,660,758.33
Shenzhen SD Tellus Real Estate Co., Ltd	Subsidiary	Real estate development and operation	RMB 31.15 million	28,643,517.12	11,983,974.30	-	113,178.46	113,178.46
Shenzhen SD Tellus Property Management Co., Ltd	Subsidiary	Property management	RMB 7.05million	35,049,202.87	12,008,576.22	41,045,926.76	2,323,460.26	1,927,740.64
Shenzhen Tellus Real Estate Exchange Co. Ltd	Subsidiary	Trading agency of real estate	RMB 2 million	2,577,341.06	2,450,205.81	74,950.00	-32,021.16	-32,021.16
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Stock jointly company	Sales of auto and maintenance	RMB 30 million	544,475,609.29	206,547,850.48	457,918,003.79	-39,304,240.42	50,882,918.27

Shenzhen Dongfeng Automobile Co., Ltd.	Stock jointly company	Manufacture and maintenance of automobile	RMB 100 million	310,254,516.00	207,850,195.00	876,992,496.00	2,618,933.00	5,242,659.00
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Particular about subsidiaries obtained or disposed in report period

☐ Applicable ☒ Not applicable

Notes of holding and shareholding companies

## VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

## IX. Future Development Prospects

### (I) The Company's future development strategy

#### 1. The status and tendency of jewelry industry

Affected by the economic environment, the 10-year golden development period for jewelry came to an end and the jewelry industry had stagnation and decline in recent two years, the industrial shrink brought great impact on every link of jewelry industry chain. The industrial competition made higher requirements for the capital, operations, channels, technology, marketing of jewelry enterprises, and many jewelry enterprises actively or passively started the transition from disordered competition to the request of more rational development approach.

In the long term, benefiting from the consumption upgrade, the jewelry industry still has huge room for development. Compared to the United States, Japan, Britain, France and other countries, China's per capita consumption of jewelry is significantly low, the consumption of diamonds and multicolored jewelries continue to increase, which provides long-term source of profits for the jewelry industry.

#### 2. The company's strategic planning assumptions

Since the establishment of strategic development direction, the company has conducted in-depth research in the jewelry market across the country, and constructed the design creativity and wechat entrepreneurial platform based on the physical platform of Tellus Shuibei jewelry industrial park; established the regional channel platform and regional retail terminal platform, created the whole industry chain trading service platform; taken financial services as a link to achieve the interoperability across platforms, build large data centers for jewelry industry, and strive to build the planning assumptions of Tellus jewelry industry ecosystem.

#### (1) Shuibei jewelry industrial park

Currently, Tellus Shuibei Jewelry Building project in Shuibei jewelry industrial park

is expected to put into use by the end of 2016, Golden Plaza constructed by joint venture – Shenzhen Tellus Jimeng Investment Co., Ltd. is expected to put into use in August 2016, Xinglong Gold Jewelry Building (formerly known as "Shenzhen Shuibei Xinglong R & D Center Building ") constructed by joint-stock company - Shenzhen Xinglong Machinery Mould Co., Ltd. is expected to put into use in July 2016.

After the completion of above-mentioned key projects, the company can take the jewelry manufacturers gathered by physical platform as the basis, connect the channels and manufacturers by taking financial services as a link to meet the business development requirements of both sides and get mutual benefit. Meanwhile, the company can integrate various elements of industry chain based on the industrial park, construct the design creativity and wechat entrepreneurial platform, increase the attractiveness to manufacturers and channel partners, and cultivate the new profit growth points.

**(2) Regional channel platform**

Through the in-depth study to jewelry industry, the company thinks that channels are the core connecting link between the preceding and the following of the entire jewelry industry chain. The regional channel platform has wide development space and high profitability level, and can directly involve in the industrial chain management, the company can take the construction of regional channel platform as the starting point and provide the whole industry chain services to get more profits and make a certain impact on jewelry industry at the same time.

The company may create a regional channel platform, develop and expand the platform through the financial services of supply chain, gradually form a national channel platform, obtain the main sources of profits through financial and other additional services and get the future growth space by grafting e-commerce so as to make a certain influence on the upstream and downstream of jewelry industry.

**(3) Regional retail terminal platform**

The company plans to extend the business to jewelry industrial chain terminals-- retail terminal platform. In virtue of the resources of Shuibei manufacturers and channels in various regions, enhance the attractiveness to retailers by providing financial services and e-commerce business, expand the scale of the terminal platform, and gradually form a national jewelry retail terminal platform.

**(4) Financial services of jewelry**

According to the company's strategic framework and physical platform construction progress, the company plans to establish a closed loop of finance industry included small loans, commercial factoring, guarantee business, financial leasing, internet financing and other service items. As a link, the financial services platform will deeply blend in physical platforms, regional channel platforms and regional retail terminal platforms business of Shuibei jewelry industrial park, and become the important support for the company's future business.

**(5) E-commerce business**

After the steady development and expansion of regional trading platform, the company plans to cooperate with e-commerce enterprises, merger and absorb the outstanding and mature e-commerce enterprises or establish the industry funds incubation methods, make use of the advantages of e-commerce enterprises in e-commerce field and business system, take advantage of the data and resources accumulated in physical platforms of Shuibei industrial park, regional channel platforms and regional retail terminal platforms to complement the advantages of virtual and physical platforms, build Tellus jewelry e-commerce platform, and complete the company's initial layout in e-commerce platform.

By the landing and implementation of above plans, the company will take financial service as a link to attract the regional channels to cooperate with manufacturers of Shuibei physical platform, at the same time, the company will develop the retail terminal business in virtue of the resources of channels, obtain the big data and develop e-commerce business by physical platforms of Shuibei jewelry, regional channel platforms and regional retail terminals, all section support each other and develop harmoniously, eventually form a closed loop and create Tellus jewelry industry ecosystem, and make a wide range of market influence on the entire jewelry market.

**(II) The company's business plan in 2016****1. Complete the construction of key projects in the industrial park**

Based on keeping the existing business steady, the company's focus of work in 2016 shall fully transfer to the construction, investment and operations of Tellus Shuibei Jewelry Building (Phase I project), and timely advance the development and construction of Tellus Gimeng Industrial Park No. 3 block (Phase II project).

**2. Fully promote the transformation**

In 2016, the company will fully promote the transformation and adopt multiple means to promote the landing and implementation of business models. The company will focus on the strategic thinking of transforming to be a

comprehensive service provider in jewelry industry, take full advantage of market resources and company resources, make in-depth analysis, excavate the meeting point between the regional channel platforms and retail terminal platform and the company's superior resources, refine the implementation program and path; seek for the target companies that meet the company's strategies and own development characteristics through a variety of channels, and make the company bigger and stronger in e-commerce, jewelry financial services and retail terminal fields through a variety of ways including cooperation, mergers and acquisitions, and industry funds incubation, etc.

### **3. Continue to deepen the internal reform, improve the enterprise competitiveness**

The company will strengthen internal control, control costs, reduce costs, and ensure the smooth completion of annual management tasks; adhere to market-oriented operation, standardized operation, further marketize rental prices, and improve property operating income; accelerate the marketization process of property companies, the company will take the property management project of Tellus Shuibei Jewelry Building as an opportunity to enhance the property management level and transform to high-end property management; strengthen the supervision to shareholding enterprises, support the enterprises to improve management; explore the exit approaches of automotive business in accordance with the smooth, orderly, and soon principle.

### **(III) Funds needed for the company's future development**

The company has completed the non-public offering of shares in March 2015, and the raised funds have been credited into account. The company will regulate the expenditure of funds in strict accordance with the regulatory measures of raised funds so as to maximize the utility of raised funds. At the same time, the company will furthest use the temporarily idle funds, actively carry out the bank financing, and create the maximum benefits of funds.

The company will fully demonstrate the bank loans, capital market refinancing and other financing methods according to its own operation and acquisition or investment demands, expand the financing channels, and raise the funds; grasp the status of business environment and the variation trends of management environment of capital structure, actively open up the new sources of capital, flexibly select the financing strategy selection, complete the fund guarantee, and provide effective support for the company's future business development.

### **(IV) Risks may face**

#### **1. It is difficult for automobile to withdraw from the business**

According to the company's strategic positioning of withdrawing from automobile main business in 2014, the company shall face personnel placement and related industry adjustment when implementing the plan for smoothly and orderly withdrawing from automobile sales business, the withdrawing shall be rather difficult and the progress will be a little later than the expectation.

The company will resolutely promote the plan to orderly withdraw from the car sales business, strengthen the communication, enhance the coordination of all parties, and deal with the conflicts among all parties.

#### **2. The development plan and completion plan of project construction may be affected by following force majeure factors:**

- (1) Changes in regulations and policies may affect the development of the project;
- (2) Procedures of certifications and licenses for development projects may have an impact on the development progress of the project;
- (3) The removing progress of project involving removing may have an impact on the progress of the project;
- (4) Significant changes in the weather may have an impact on the progress of the project;
- (5) Other unpredictable events may have an impact on the progress of the project.

#### **3. The transformation road is arduous**

The company faces uncertainties in the layout of jewelry market. From the external environment, the jewelry

market has been rather sluggish in recent years, the overall industry shrinks, and the competition intensifies. From the internal environment, after initially establishing the strategic planning assumptions, the company still faces with the specific entry points, and the selection and exploration of implementation approaches.

Although the transformation road is difficult, the company will continue to promote the transformation of firm belief.

## X. Reception of research, communication and interview

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

√Applicable    □ Not applicable

Time	Way	Type	Basic situation index of investigation
2015-09-09	Telephone Communication	Organization	Panorama network has asked questions about the reasons for revenue decrease and profit increase in the mid-year report, the company performance, the progress of Tellus Shuibei Jewelry Building, and the company's share price, etc.; please see details on "Investor relations activities log sheet" disclosed on easy interactive platform of Shenzhen Stock Exchange on September 9, 2015.
2015-09-24	Telephone Communication	organization	Shenzhen Special Zone Daily has asked questions about the company's share price, state-owned enterprise reform policies, company performance, etc.; please see details on "Investor relations activities log sheet" disclosed on easy interactive platform of Shenzhen Stock Exchange on September 24, 2015.
Reception (times)		2	
Number of hospitality		2	
Number of individual reception		0	
Number of other reception		0	
Disclosed, released or let out major undisclosed information		No disclosed, released or let out major undisclosed information	

## Section V. Important Events

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

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

☒ Applicable ☐ Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

The accumulated retained profit of parent company ended as 2013, 2014 counted as -10,976.46 million Yuan, -10,967.37 million Yuan respectively, has no profit distribution and cash bonus. Consolidated statements of the company's 2015 annual net profit attributable to shareholders of the parent company is 4,276.88 million Yuan, the consolidated statement of the non distribution of profits is 374.23 million Yuan, the accumulated retained profit of parent company is -9,138.89 million Yuan. The Company has no profit distribution and cash bonus in 2015 due to the negative value of the accumulated retained profit of parent company.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2015	0.00	42,768,789.52	0.00%	0.00	0.00%
2014	0.00	10,345,217.67	0.00%	0.00	0.00%
2013	0.00	7,185,944.01	0.00%	0.00	0.00%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

### III. Implementation of commitment

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

√Applicable    □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform	SDG	Commitments for share merger reform	<p>(I) Commitments during the work of Share Merger Reform of the Company:</p> <p>1. Commitments on Lock-up period</p> <p>(1) In accordance with the Measures for the Administration of the Share Merger Reform of Listed Companies, SDG would abide by the various laws, regulations and rules, and perform its statutory commitment duty.</p> <p>(2) Apart from the above-mentioned statutory commitment, SDG also made the following special commitment: with 36 months since the day the reform plan starts to take effect, SDG would not list at Shenzhen Stock Exchange and sell the shares of Tellus it held (except for the shares used to promote the administration level of Tellus).</p> <p>(3) The administration level would abide by the laws, regulations and rules, and perform its statutory commitment duty.</p> <p>(4) SDG made the commitment: “The Promiser hereby promises that, if the Promiser failed to fulfill its commitment or not fully fulfill its commitment, it would compensate other shareholders for their losses suffered thereafter”.</p> <p>(5) SDG declared: “The Promiser would dutifully fulfill its commitments and shoulder corresponding legal responsibilities. The Promiser would transfer the shares held by it only if the assignee agree and have the ability to shoulder the commitment responsibility.”</p>	2005-12-25	Long-term	Implementing



			<p>2. Special commitment concerning the incentive mechanism</p> <p>In order to effectively boost the core management level and business backbones for long, SDG would take out its shares, not exceeding 10% in total number after the Share Merger Reform, and apply them to the boost of the administration level. The shares would be sold to the Company's administrative level over 3 years, with the selling price being the net asset value per share audited during the period nearest to the implementation. Before the implementation of the promoting plan by share selling each year, the administration level must prepay the Company a risk responsibility fund, i.e. 20% of the planned selling price; Should the work of the performance examination set by the Board failed to be finished, the paid risk responsibility fund would not be refunded and shall be owned by the Company. Detailed rules concerning the limitations on the administration level, such as the subscription conditions and risk responsibility fund, and boost plans would be set by the Board and submitted to relevant departments for approval. The implementation of the shares for promoting would be conducted strictly according to relevant laws and regulations, and the circulation conditions of these shares would be in conformity with relevant regulations set by the Shenzhen Stock Exchange.</p> <p>3. Relevant expenses of this Share Merger Reform of Tellus would be paid by SDG.</p>			
	SDG	Commitments for Share Merger Reform	SDG, the controlling shareholder of the Company, made a special commitment of incentive mechanism in Share Merger Reform. After that SASAC and	2014-06-26	2016-6-30	Implementing

			Ministry of Finance jointly issued a “Trial Approach of Equity Incentive for State-Owned Listed Companies”, and CSRC issued the “Incentive Management on Shares of Listed Companies (Trial)”, after comparison, the above mentioned commitments made by SDG are out of the relevant regulations and requirement, relevant commitments are not implemented as a result. On 26 June 2014, the Company actively communicating with SDG, and promised that on the premise of subjecting to applicable laws and regulations and supervision requirements, continues to support the Company promote a long-term incentive plan as soon as possible in stead of the commitments made in share merger reform, and complete the long-term incentive plan before 30 June 2016. At that time, the long-term incentive plan shall be implemented after submit for deliberation in General Meeting.			
Commitments in report of acquisition or equity change						
Commitments in assets reorganization						
Commitments make in initial public offering or re-financing	Shenzhen Capital Fortune Investment Management Co., Ltd.; Shenzhen Jiahe Investment Management Enterprise; Shenzhen Wanban Investment Management Co.,	Other	1. The commitments of the relevant bodies on the timely arrival of funds of share subscription: On August 22, 2014, about the subscription to Test Rite Group’s private placement of shares, Jewelry Industry Funds, SZ Capital, Capital Fortune, Jiahe Investment, Wanbang Investment, and Test Rite Group have respectively issued the “commitment letter”, and made commitments to the timely arrival of	2014-08-22	2015-3-27	Completed

	<p>Ltd.; Shenzhen Capital Investment Co., Ltd.; Shenzhen Zhiyuan Fuhai Jewelry Industry Investment Enterprise; ShenZhen Tellus Holding Co.,Ltd</p>	<p>funds of share subscription. The specific contents of Jewelry Industry Funds' commitment letter are that after this non-public offering of shares being approved by the China Securities Regulatory Commission, the subscription funds of Test Rite Group's non-public offering of shares have all been in place when reporting the issuing scheme, and have been transferred to the special account which was opened by the sponsor institution (principal underwriter) for this non-public offering of shares at one time in accordance with the requirements of the payment notice issued by Test Rite Group and the sponsor institution (principal underwriter). The specific contents of Test Rite Group's commitment letter are that after this non-public offering of shares being approved by the China Securities Regulatory Commission, the Company should supervise and urge Capital Fortune (limited partnership) to put all subscription funds in place when reporting the issuing scheme, and transfer the subscription funds to the special account which was opened by the sponsor institution (principal underwriter) for this non-public offering of shares at one time in accordance with the requirements of the payment notice issued by the Company and the sponsor institution (principal underwriter).</p> <p>2. The commitments to no undisclosed related protocols of related bodies: On August 22, 2014, Jewelry Industry Funds, Jiahe Investment, and Wanbang Investment has respectively made commitments that no other undisclosed protocols exist in Test Rite Group and its controlling shareholder SDG, the actual controller Shenzhen SASAC and the related parties except for the</p>			
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			publicly disclosed protocols.			
	ShenZhen Tellus Holding Co.,Ltd	Other	The commitments to the fulfillment of information disclosure about the company business development are as follows: except for the information has been disclosed publicly, the Company has not had the disclosed information about asset acquisition and business development that has not been disclosed within one year. In the future, the company shall timely, accurately and adequately disclose the relevant information according to the progress of new business and the related requirements.	2014-10-17	Long-term	Implementing
Equity incentive commitment						
Other commitments for medium and small shareholders	SDG	Horizontal Competition	In order to avoid the horizontal competition, the company's controlling shareholder, Shenzhen SDG Co., Ltd., has issued the "commitment letter about the avoidance of horizontal competition" on May 26, 2014. The full commitment letter is as follows: 1. The Company and other enterprises controlled by the Company except Test Rite Group haven't occupied in any business that could substantially compete with the main businesses of Test Rite Group, and have no horizontal competition relationship with Test Rite Group.	2014-05-26	Long-term	Implementing
	ShenZhen Tellus Holding Co.,Ltd	Not implement assets restructuring	The accumulative rate of deviation value of the share price of the Company's stock Tellus A (stock code: 000025) has reached 20% in three consecutive trading days (March 19, 2015, March 20, 2015, March 23, 2015). According to the relevant provisions of Shenzhen Stock Exchange, it belongs to abnormal fluctuations of shares. Verified by the Company, in addition to the disclosed	2015-03-23	2015-6-23	Completed

			non-public offering of shares (Please refer to the latest details on “Notice on non-public offering of shares obtaining the approval of China Securities Regulatory Commission” No. 2015-005 published on "Securities Times", "Hong Kong Commercial Daily", and Juchao Website by the Company on February 3, 2015, the Company, the controlling shareholders and actual controller currently do not exist the major assets restructuring, acquisition, issuance of shares and other issues have significant impacts on the Company, and make commitments not to plan and prepare the major assets restructuring, acquisition, issuance of shares in the next three months.			
	ShenZhen Tellus Holding Co.,Ltd	Commitments for dividend	From 2014 to 2016, the company's profits will first be used to cover the losses of previous years; after making up for losses of previous years, in the premise that the company's profits and cash flow can meet the company's normal operations and long-term development, reward shareholders, the company will implement positive profit distribution approaches to reward the shareholders, details are as follows: 1. The company's profit distribution can adopt cash, stock or the combination of cash and stock or other methods permitted by law. The foreign currency conversion rates of domestically listed foreign shares dividend are calculated according to the standard price of HK dollar against RMB announced by People's Bank of China on the first working day after the resolution date of the shareholders' meeting. The company prefers to adopt the cash dividends to distribute profits. In order to maintain the adaptability between capital expansion and performance growth, in	2014-06-03	2016-12-31	Implementing

			<p>the premise of ensuring the full cash dividend distributions and the rationality of equity scale and equity structure, the company can adopt the stock dividend methods to distribute profits. 2. According to the "Company Law" and other relevant laws and the provisions of the company's "Articles of Association", following conditions should be satisfied when the company implements cash dividends: (1) the company's annual distributable profits (i.e. the after-tax profits after making up for losses and withdrawing accumulation funds) are positive value, the implementation of cash dividends will not affect the company's subsequent continuing operations; (2) the audit institution issues the standard audit report with clean opinion to the company's annual financial report; (3) the company has no significant investment plans or significant cash outlay (except for fund-raising projects). Major investment plans or significant cash outlay refer to: the accumulated expenditures the company plans to used for investments abroad, acquisition of assets, or purchase of equipments within the next 12 months reach or exceed 30% of the net assets audited in the latest period. 3. In the premise of meeting the conditions of cash dividends and ensuring the company's normal operation and long-term development, the company makes cash dividends once a year in principle, the company's board of directors can propose the company to make interim cash dividends in accordance with the company's profitability and capital demand conditions. The proportion of cash dividends in profits available for</p>			
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			<p>distribution and in distribution of profits should meet the following requirements:</p> <p>(1) in principle, the company's profits distributed in cash every year should not be less than 10% of profit available for distribution realized in the same year, and the company's profits accumulatively distributed in cash in the last three years should not be less than 30% of the annual average profit available for distribution realized in the last three years. (2) if the company's development stage belongs to mature stage and there is no significant capital expenditure arrangement, when distributing profits, the minimum proportion of cash dividends in this profit distribution should be 80%; (3) if the company's development stage belongs to mature stage and there are significant capital expenditure arrangements, when distributing profits, the minimum proportion of cash dividends in this profit distribution should be 40%; (4) if the company's development stage belongs to growth stage and there are significant capital expenditure arrangements, when distributing profits, the minimum proportion of cash dividends in this profit distribution should be 20%; when the company's development stage is not easy to be differed but there are significant capital expenditure arrangements, please handle according to the preceding provisions. 4. On the condition of meeting the cash dividend distribution, if the company's operation revenue and net profit grow fast, and the board of directors considers that the company's equity scale and equity structure are reasonable, the company can propose and implement the dividend distribution plans except</p>			
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			proposing the cash dividend distribution plans. When allocating stock dividend every time, the stock dividend per 10 shares should be no less than 1 share. Stock allocation can be implemented individually or in combination of cash dividends. When confirming the exact amount of profit distribution by stock, the company should fully consider if the general capital after profit distribution by stock matches with the company's current operation scale and profit growth rate and consider the impact on future financing so as to make sure the allocation plans meet the overall interests of all shareholders.			
Completed on time(Y/N)	Y					

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

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

☐ Applicable ☒ Not applicable

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



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

☐ Applicable    ☒ Not applicable

No changes in consolidation statement's scope of the Company in the period.

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

Accounting firm appointed

Name of domestic accounting firm	Ruihua Certified Public Accountants (LLP)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	55
Continuous life of auditing service for domestic accounting firm	2
Name of domestic CPA	Yuan Longping, Qin Changming

Re-appointed accounting firms in this period

☐ Yes ☒ No

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

☒ Applicable    ☐ Not applicable

In reporting period, Ruihua Certified Public Accountants (LLP) was engaged by the Company as audit institute for internal control, remuneration amounting as RMB 240,000.

In 2014, The Company engaged Huaxi Securities Co., Ltd. as the sponsor due to private placement in the Period, sponsor fee amounting as 2 million Yuan.

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

☐ Applicable    ☒ Not applicable

**XI. Bankruptcy reorganization**

☐ Applicable    ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period

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

☐ Applicable    ☒ Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

**XIII. Penalty and rectification**

☐ Applicable    ☒ Not applicable

No penalty and rectification for the Company in reporting period.

**XIV. Integrity of the company and its controlling shareholders and actual controllers**

□ Applicable √ Not applicable

**XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

□ Applicable √ Not applicable

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

**XVI. Major related transaction****1. Related transaction with routine operation concerned**

√Applicable □ Not applicable

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing Principle of the related-party transaction	Transaction price	Transaction amount (RMB Ten Thousand Yuan)	Proportion in same kind of transactions	Approved Transaction quota (RMB Ten Thousand Yuan)	Whether exceed the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	Director of the company's board of directors	Related transaction with routine concerned	house renting;	Reference market pricing	530	530	4.93%	530	no	According to the contract or agreement	530		
Total				--	--	530	--	530	--	--	--	--	--
Details of large amount of sales returns				no									
As for the prediction on the total amount of routine related-party transactions to be occurred in the reporting period by relevant types, the actual performance in the reporting period (if any)				no									

Reason for significant difference between the transaction price and the market price	no
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## 2. Related transactions by assets acquisition and sold

☐ Applicable ☒ Not applicable

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

## 3. Main related transactions of mutual investment outside

☐ Applicable ☒ Not applicable

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

## 4. Contact of related credit and debt

☒ Applicable ☐ Not applicable

Whether the Company had non-operating contact of related credit and debt

☒ Yes ☐ No

Claim receivable from related party:

Related party	Relationship	Causes	Whether has non-business capital occupying or not	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
Influence on operation results and financial status from related credit and debts	Not applicable								

Debts payable to related party:

Related party	Relationship	Causes	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
Shenzhen SDG Co., Ltd.	Parent company	loans	7,300		1,000		361	6,300
Shenzhen SDG Co., Ltd.	Parent company	Current account and loans interest	5,978	481	1,665		59	4,794
Shenzhen SDG Co., Ltd.	Parent company	Huari Co., Ltd.loans	1,892		5		61	1,887
Influence on operation results and financial status from related credit and debts	The increase in interest expense caused the total profit decreased 4.81 million yuan.							

**5. Other related transactions**

☐ Applicable    ☒ Not applicable

The company had no other significant related transactions in reporting period.

**XVII. Significant contract and implementations****1. Trusteeship, contract and leasing****(1) Trusteeship**

☐ Applicable    ☒ Not applicable

No trusteeship for the Company in reporting period

**(2) Contract**

☐ Applicable    ☒ Not applicable

No contract for the Company in reporting period

**(3) Leasing**

☐ Applicable    ☒ Not applicable

No leasing for the Company in reporting period

**2. Major guarantees**

☒ Applicable    ☐ Not applicable

**(1) Guarantees**

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)
Shenzhen Zung Fu Tellus Auto Service Co., Ltd.	2014-09-30	3,500	2007-04-17	3,500	Pledged	To the expire date of joint venture contract	N	Y
Total approving external guarantee in report period (A1)		0		Total actual occurred external guarantee in report period (A2)		3,500		
Total approved external guarantee at the end of report period ( A3)		3,500		Total actual balance of external guarantee at the end of report period (A4)		3,500		
Guarantee of the Company and the subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party (Y/N)

Shenzhen Zhongtian Industrial Co., Ltd.	2014-05-07	30,000	2014-06-24	30,000	Joint liability guaranty	2014-6-24 To 2024-6-23	N	Y
Shenzhen Zhongtian Industrial Co., Ltd.	2014-03-17	4,140		4,140	General guarantee	To 2016-6-25	N	Y
Shenzhen Auto Industry and Trade Corporation	2014-08-20	1,000	2014-09-16	1,000	General guarantee	2015-9-16	Y	Y
Total amount of approving guarantee for subsidiaries in report period (B1)				0	Total amount of actual occurred guarantee for subsidiaries in report period (B2)		35,140	
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)				35,140	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		34,140	
Guarantee of the subsidiaries and the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shenzhen Huari Toyota Auto-Sales Service Co., Ltd.	2014-03-17	4,900	2014-06-26	4,900	Pledged	Two years since the expired date when debtor of the main contract completed debt maturities	Y	Y
Shenzhen Huari Toyota Auto-Sales Service Co., Ltd.	2014-03-17	1,800	2014-10-13	1,800	Pledged	2015-10-13	Y	Y
Total amount of approving guarantee for subsidiaries in report period (C1)				0	Total amount of actual occurred guarantee for subsidiaries in report period (C2)		6,700	
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)				6,700	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)		0	
Total amount of guarantee of the Company( total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)				0	Total amount of actual occurred guarantee in report period (A2+B2+C2)		45,340	
Total amount of approved guarantee at the end of report period (A3+B3+C3)				45,340	Total balance of actual guarantee at the end of report period (A4+B4+C4)		37,640	

The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)	43.36%
Including:	
Amount of guarantee for shareholders, actual controller and its related parties(D)	0
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)	0
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)	0
Total amount of the aforesaid three guarantees(D+E+F)	0
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)	N/A
Explanations on external guarantee against regulated procedures (if applicable)	N/A

Explanation on guarantee with composite way

## (2)Guarantee outside against the regulation

☐Applicable ☒Not applicable

No guarantee outside against the regulation in Period.

## 3. Entrust others to cash asset management

### (1) Trust financing

☐Applicable ☒Not applicable

In 10 thousand Yuan

Name	Whether related trade or not	Type	Trust financing amount	Start date	End date	Criteria for fixing reward	Principal actually collected in the Period	Amount of reserve for devaluation of withdrawing (if applicable)	Anticipated income	Actual gains/losses in period	Gains/losses actually collected in period
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	6,000	2015-04-30	2015-10-15	Repayment of principal and interest payment at maturity	6,000	0	151.89	151.89	151.89

Shenzhen Branch of China CITIC Bank Corporation Limited	No	Floating proceeds	3,000	2015-04-30	2015-07-30	Repayment of principal and interest payment at maturity	3,000	0	32.91	32.91	32.91
Shenzhen Branch of China Everbright Bank Co., Ltd.	No	Structured deposit	4,000	2015-04-30	2015-07-30	Contract agreement	4,000	0	40.5	40.5	40.50
Shenzhen Branch of China CITIC Bank Corporation Limited	No	Floating proceeds	4,000	2015-05-07	2015-08-06	Repayment of principal and interest payment at maturity	4,000	0	43.88	43.88	43.88
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	5,000	2015-05-07	2015-05-12	Repayment of principal and interest payment at maturity	5,000	0	2.4	2.4	2.40
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	4,000	2015-05-08	2015-08-26	Repayment of principal and interest payment at maturity	4,000	0	9.06	9.06	9.06
Shuibei Jewellery Branch of China Construct	No	Deposit products	3,000	2015-05-08	2015-07-29	Contract agreement	3,000	0	6.21	6.21	6.21

ion Bank Co., Ltd.											
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	5,000	2015-05-14	2015-10-29	Repayment of principal and interest payment at maturity	5,000	0	126.58	126.58	126.58
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	3,000	2015-05-14	2015-10-29	Repayment of principal and interest payment at maturity	3,000	0	75.95	75.95	75.95
Shenzhen Gold Jewelry Branch of China Minsheng Bank Co., Ltd.	No	Floating proceeds	5,000	2015-05-20	2015-06-23	Repayment of principal and interest payment at maturity	5,000	0	21.95	21.95	21.95
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	2,000	2015-07-03	2015-09-28	Repayment of principal and interest payment at maturity	2,000	0	15.97	15.97	15.97
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	1,500	2015-07-24	2015-10-23	Repayment of principal and interest payment at maturity	1,500	0	12.53	12.53	12.53



Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	4,000	2015-07- 31	Current financial managem ent	Repayme nt of principal and interest payment at maturity	2,000	0	31.94	31.94	31.94
Shenzhen Branch of China CITIC Bank Corporati on Limited	No	Floating proceeds	3,000	2015-08- 07	2015-11-0 5	Repayme nt of principal and interest payment at maturity	3,000	0	24.78	24.78	24.78
Shenzhen Branch of Bank of Jiangsu Co., Ltd	No	Floating proceeds	1,000	2015-08- 07	2015-11-1 3	Repayme nt of principal and interest payment at maturity	1,000	0	10.29	10.29	10.29
Shenzhen Huali Branch of Everbrigh t Bank Co., Ltd.	No	Structured deposit	3,000	2015-08- 10	2015-11-1 0	Contract agreemen t	3,000	0	26.25	26.25	26.25
Shenzhen Huali Branch of Everbrigh t Bank Co., Ltd.	No	Guarantee d principal and income	3,000	2015-10- 16	2016-01- 16	Repayme nt of principal and interest payment at maturity	0	0	26.3	21.82	0
Shenzhen Tianan Branch of Industrial Bank Co.,	No	Floating proceeds	3,000	2015-10- 15	2016-03- 31	Repayme nt of principal and interest	0	0	56.61	0	0

Ltd.						payment at maturity					
Shenzhen Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	1,500	2015-10-26	2015-11-25	Repayment of principal and interest payment at maturity	1,500	0	3.82	3.82	3.82
Shenzhen Tianan Branch of Industrial Bank Co., Ltd.	No	Floating proceeds	5,000	2015-10-29	2016-04-14	Repayment of principal and interest payment at maturity	0	0	0	0	0
Shenzhen Branch Sales Department of Jiangsu Bank	No	Floating proceeds	3,000	2015-11-04	2015-12-16	Repayment of principal and interest payment at maturity	3,000	0	11.4	11.4	11.40
Shenzhen Branch of China CITIC Bank Corporation Limited	No	Floating proceeds	3,000	2015-11-23	2016-02-16	Repayment of principal and interest payment at maturity	0	0	24.21	0	0
Shenzhen Huali Branch of Everbright Bank Co., Ltd.	No	Guaranteed principal and income	3,000	2015-11-13	2016-02-13	Contract agreement	0	0	24.03	13.07	0
Shenzhen	No	Floating	1,000	2015-11-1	Current	Repayment	0	0	0	0	0

Branch Sales Department of Jiangsu Bank		proceeds		8	financial management	nt of principal and interest payment at maturity					
Shenzhen Branch Sales Department of Jiangsu Bank	No	Floating proceeds	3,000	2015-12-18	Current financial management	Repayment of principal and interest payment at maturity	0	0	0	0	0
Total			82,000	--	--	--	59,000	0	779.46	683.2	--
Capital resource			Idle fund-raising								
Principal uncollected for overdue and accumulated earnings			0								
Lawsuit involved (if applicable)			N/A								
Disclosure date for approval from the Board for trust financing (if applicable)			2015-04-29								
Disclosure date for approval from board of shareholders for trust financing (if applicable)											
Trust financing plan in the future			Yes, the decision-making process that the company uses idle raised funds to purchase financial products meets the "Articles of Association", "Raised Funds Management System" and other relevant provisions. Using idle raised funds to purchase financial products is implemented in the premise of not affecting the main business. A certain amount of investment income can be obtained by properly investing in the low-risk financial products so as to improve the company's capital usage efficiency.								

## (2) Entrusted loans

☐ Applicable    ☒ Not applicable

The company had no entrusted loans in the reporting period.

## 4. Other material contracts

☐ Applicable    ☒ Not applicable

No other material contracts for the Company in reporting period

## **XVIII. Explanation on other significant events**

☐ Applicable ☒ Not applicable

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

## **XIX. Significant event of subsidiary of the Company**

☐ Applicable ☒ Not applicable

## **XX. Social responsibility**

☐ Applicable ☒ Not applicable

## **XXI. Issuance of corporate bonds**

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No

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

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

	Before change		Increase/decrease in this time (+, -)					After change	
	Amount	Ratio	New issue	Bonus share	Capitalization of public reserve	Other	Subtotal	Amount	Ratio
I. Restricted shares	14,587,056	6.62%	77,000,000				77,000,000	91,587,056	30.81%
2. State-owned corporation shares	14,587,056	6.62%	6,000,000				6,000,000	20,587,056	6.93%
3. Other domestic shares			71,000,000				71,000,000	71,000,000	23.88%
Including: domestic legal person's shares			71,000,000				71,000,000	71,000,000	23.88%
II. Un-restricted shares	205,694,544	93.38%						205,694,544	69.19%
1. RMB ordinary shares	179,294,544	81.39%						179,294,544	60.31%
2. Domestically listed foreign shares	26,400,000	11.98%						26,400,000	8.88%
III. Total shares	220,281,600	100.00%	77,000,000				77,000,000	297,281,600	100.00%

Reasons for share changed

√ Applicable □ Not applicable

During the reporting period, the restricted shares has increased by 77 million Shares because the company issued the non-public offering of shares to two specified objectives to raise funds, respectively issued RMB ordinary shares of 6 million shares to Shenzhen Special Development Group Co., Ltd., and issued RMB ordinary shares of 71 million shares to Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership).

Approval of share changed

√ Applicable □ Not applicable

On April 21, 2014, the company held the nineteenth interim meeting of the seventh board of directors which deliberated and passed the motions relevant to this offering, such as "Motion about the program of the company's non-public offering of shares"; on June 3, 2014, the company held the fourth extraordinary general meeting in 2014 which deliberated and passed the motions relevant to this offering, such as "Motion about the program of the company's non-public offering of shares". On November 21, 2014, the company's non-public offering of shares

has been checked and passed by the Issuance Examination Commission of China Securities Regulatory Commission; on January 29, 2015, the company's non-public offering of shares has been approved and obtained "Reply about the approval of non-public offering of shares of Shenzhen Test Rite (Group) Co. Ltd." (SFC license [2015] No. 173).

Ownership transfer of share changes

☒ Applicable ☐ Not applicable

On March 18, 2015, the Company has submitted the relevant registration materials of the newly increased 77 million shares of share to China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, the newly increased share this time has been registered to the account on the trading day (March 26, 2015) just one day before its offering day (March 27, 2015), and has been officially included in stock transfer books of listed companies.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

## 2. Changes of restricted shares

☒ Applicable ☐ Not applicable

In Share

Shareholders	Opening shares restricted	Shares released in Period	Restricted Shares Increased In the Period	Ending shares restricted	Restricted reasons	Date for released
SHENZHEN SDG CO., LTD.	14,587,056	0	6,000,000	20,587,056	Additional issue	2018-3-36
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)	0	0	71,000,000	71,000,000	Additional issue	2018-3-26
Total	14,587,056	0	77,000,000	91,587,056	--	--

## II. Securities issuance and listing

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

√ Applicable □ Not applicable

Name of stock and derivative securities	Issue date	Issue price (or interest rate)	Number of issue	Date of listing	Number of permitted listed transactions	Date of termination of the transaction
Stock						
Tellus A	2015-03-27	RMB 8.4	77,000,000	2018-03-26	77,000,000	
Switching Company bonds, the separation transaction of switching company bonds, corporate bonds						
Other derivative securities						

Description of the issue of securities in the reporting period (excluding preferred shares)

In the reporting period, on January 29, 2015, the company's non-public offering of shares has been approved and obtained "Reply about the approval of non-public offering of shares of Shenzhen Test Rite (Group) Co. Ltd." (SFC license [2015] No. 173). On March 18, 2015, the Company has submitted the relevant registration materials of the newly increased 77 million shares of share to China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, the newly increased share this time has been registered to the account on the trading day (March 26, 2015) just one day before its offering day (March 27, 2015), and has been officially included in stock transfer books of listed companies.

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

√ Applicable □ Not applicable

The changes in the share capital structure of the issue are as follows:

Type	Before the issue		After the issue	
	Amount (share)	Ratio	Amount (share)	Ratio
<b>I.Restricted circulation shares</b>	14,587,056	6.62%	91,587,056	30.81%
RMB ordinary shares	14,587,056	6.62%	91,587,056	30.81%
<b>II.Un-restricted circulation shares</b>	205,694,544	93.38%	205,694,544	69.19%
1. RMB ordinary shares	179,294,544	81.40%	179,294,544	60.31%
2. Domestically listed foreign shares	26,400,000	11.98%	26,400,000	8.88%
<b>Total</b>	220,281,600	100.00%	297,281,600	100.00%

During the reporting period, the company's total raise funds amount of non-public offering of shares has reached 646,800,000 Yuan, and the net amount of raise funds was 633,520,000.00 Yuan after deducting the issuance costs of 13,280,000.00 Yuan, the company's share has increased from 220,281,600 shares to 297,281,600 shares, an increase of 77,000,000 shares and increased the company's share by 77,000,000.00 Yuan, and increased the capital of the company - capital premium of 556,520,000.00 Yuan. On December 31, 2015, the company's asset-liability ratio was 24.82%, down 50.09% compared with the asset-liability ratio at the end of 2014 which was 74.91%. After the non-public offering of shares, the company's asset size has increased, financial risk has reduced, and debt paying ability has greatly improved.

### 3. Existing internal staff shares

☐ Applicable ☒ Not applicable

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

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

In Share

Total common stock shareholders in reporting period-end	76,801	Total common stock shareholders at end of last month before annual report disclosed	66,810	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
SHENZHEN SDG CO., LTD.	State-owned corporation	51.09%	151,870,560	6,000,000	20,587,056	131,283,504		
Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)	Domestic non state-owned corporate	23.88%	71,000,000	71,000,000	71,000,000			
GUOTAI JUNAN SECURITIES(HO	Foreign corporation	0.39%	1,173,232	1,096,232		1,173,232		



NGKONG) LIMITED								
KGI ASIA LIMITED	Foreign corporation	0.27%	817,211			817,211		
Weng Zhengwen	Foreign nature person	0.19%	563,000			563,000		
Guoyuan Securities Brokerage (Hong Kong) Co., Ltd.	Foreign corporation	0.16%	489,078	-402,504		489,078		
Chen Chujia	Domestic nature person	0.16%	471,090			471,090		
Zeng Huiming	Domestic nature person	0.13%	400,000	50,000		400,000		
Zhou Zhenbo	Domestic nature person	0.13%	380,000			380,000		
Qin Yuyan	Domestic nature person	0.10%	301,227			301,227		
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note3)		Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)holds 71,000,000 RMB ordinary shares of the Company through private placement, the shares subscribe cannot be trade or transfer within 36 months since the placement ended (27 <sup>th</sup> March 2015)						
Explanation on associated relationship among the top ten shareholders or consistent action		Among the top ten shareholders, there exists no associated relationship between the state-owned legal person’s shareholders Shenzhen SDG Co., Ltd and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the other shareholders of circulation share, the Company is unknown whether they belong to the consistent actionist.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders’ name		Amount of un-restrict shares held at Period-end				Type of shares		
						Type	Amount	
SHENZHEN SDG CO., LTD.		131,283,504				RMB ordinary shares	131,283,504	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED		1,173,232				Domestically listed foreign shares	1,173,232	
KGI ASIA LIMITED		817,211				Domestically listed foreign shares	817,211	

Weng Zhengwen	563,000	Domestically listed foreign shares	563,000
Guoyuan Securities Brokerage (HK) Co., Ltd.	489,078	Domestically listed foreign shares	489,078
Chen Chujia	471,090	Domestically listed foreign shares	471,090
Zeng Huiming	400,000	Domestically listed foreign shares	400,000
Zhou Zhenbo	380,000	Domestically listed foreign shares	380,000
Qin Yuyan	301,227	Domestically listed foreign shares	301,227
Lu Zhang	280,610	Domestically listed foreign shares	280,610
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	Among the top ten shareholders, there exists no associated relationship between the state-owned legal person's shareholders Shenzhen SDG Co., Ltd and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the other shareholders of circulation share, the Company is unknown whether they belong to the consistent actionist.		
Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held(if applicable) (see note4)	N/A		

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

☐ Yes ☒ No

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

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
SHENZHEN SDG CO., LTD.	Zhang Junlin	1982-06-20	192194195	Investment to set up industrial (specific items to be declared separately; Invest in tourism; development and operation of real estate; domestic business, material supply and marketing industry (excluding monopolized commodity and commodity under special government control); economic information(excluding restricted projects); import & export business
Equity of other foreign/domestic listed company that controlled by and have joint-stock from controlling shareholder in reporting period	Except for the equity of the Company hold by SDG, 39.18 percent equity of Shenzhen SDG Information Co., Ltd. (short form"SDGI", code: 000070) were held by SDG; and holds 1.31 percent equity of Sichuan Jinlu Group Co., Ltd. (short form"Jinlu Group", code: 000510)			

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of controlling shareholders in reporting period

### 3. Actual controller of the Company

Nature of actual controller: local state-owned assets management

Type of actual controller: legal person

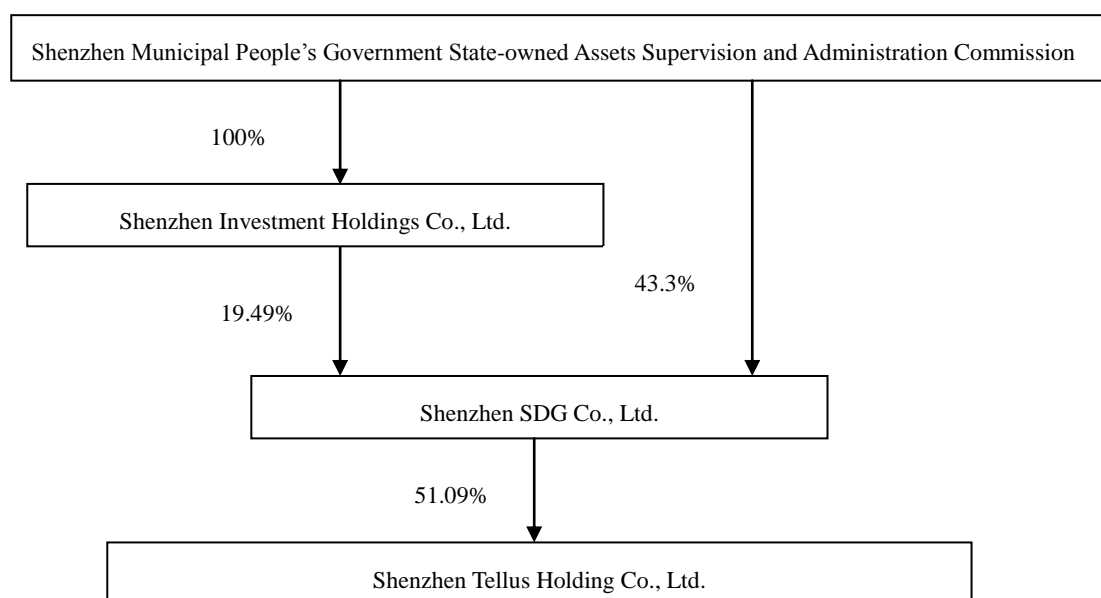
Actual controlling shareholders	Legal person/person in charge of the unit	Date of foundation	Organization code	Main operation business
Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission	Gao Zimin	2003-07-20	K31728067	Not applicable
Equity of domestic/oversea listed company control by actual controller in report period	Not applicable			

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

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

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



Actual controller controlling the Company by entrust or other assets management

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Corporate shareholders	Legal rep./person in charge of unit	Dated founded	Register capital	Main business or management activity
Shenzhen Yuanzhi Fuhai Jewelry Industry Investment enterprise (limited partnership)	Cheng Houbo	2014-04-18	620,000,000 yuan	Equity investment

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

☐ Applicable ☒ Not applicable

## Section VII. Preferred Stock

☐ Applicable    ☒ Not applicable

The Company had no preferred stock in the Period.

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

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Lv Hang	Chairman	Currently in office	M	55	2015-05-20	2018-05-19					
Yu Lei	Director	Currently in office	F	48	2015-05-20	2018-05-19					
Zhang Quanxun	Director	Currently in office	M	43	2015-05-20	2018-05-19					
Chen Gengsen	Director	Currently in office	M	44	2015-05-20	2018-05-19					
Ding Hui	Director , GM	Currently in office	M	43	2015-05-20	2018-05-19					
Yang Jianping	Director , CFO	Currently in office	F	44	2015-05-20	2018-05-19					
Wei Shaohui	Independent Director	Currently in office	M	44	2015-05-20	2018-05-19					
Ji Huibin	Independent Director	Currently in office	M	46	2015-05-20	2018-05-19					
Li Xiangjun	Independent Director	Currently in office	M	54	2015-05-20	2018-05-19					
Chen Hua	Chairman of Supervisory Committee	Currently in office	F	52	2015-05-20	2018-05-19					
Li Miao	Superviso	Currently	M	43	2015-05-	2018-05-					

	r	in office			20	19					
Fu Chunlong	Supervisor	Currently in office	M	43	2015-05-20	2018-05-19					
Li Xiaohong	Supervisor	Currently in office	F	48	2015-05-20	2018-05-19					
Ke Wensheng	Supervisor	Currently in office	F	48	2015-05-20	2018-05-19					
Ren Yongjian	Deputy GM	Currently in office	M	53	2015-05-20	2018-05-19					
Feng Yu	Deputy GM	Currently in office	M	49	2015-05-20	2018-05-19					
Li Ming	Deputy GM	Currently in office	M	54	2015-05-20	2018-05-19					
Qi Peng	Secretary of the board	Currently in office	M	43	2015-12-28	2018-05-19					
Luo Bojun	Director, GM	Office leaving	M	54	2012-06-06	2015-06-05					
Fu Bin	Director, CFO	Office leaving	M	54	2012-06-06	2015-06-05					
Liu Hongling	Independent Director	Office leaving	F	62	2012-06-06	2015-06-05					
Guan Zhicai	Chairman of Supervisory Committee	Office leaving	M	62	2012-06-06	2015-06-05					
Wang Guangye	Supervisor	Office leaving	M	58	2012-06-06	2015-06-05					
Yao Xiongbiao	Deputy GM	Office leaving	M	53	2014-08-08	2015-10-23	0	500			500
Total	--	--	--	--	--	--	0	500	0	0	500

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

Name	Title	Type	Date	Reasons
------	-------	------	------	---------

Luo Bojun	Director, GM	Office leaving	2015-04-01	Due to the work change
Fu Bin	Director, CFO	Office leaving	2015-04-01	Due to the work change
Liu Hongling	Independent Director	Leave the post while office terms expired	2015-05-20	General election of the Board
Guan Zhicai	Chairman of Supervisory Committee	Leave the post while office terms expired	2015-05-20	General election of the Board
Wang Guangye	Supervisor	Leave the post while office terms expired	2015-05-20	General election of the Board
Yao Xiongbin	Deputy GM	dismissal	2014-08-08	Due to the work change
Li Miao	Director	appointment	2015-05-20	General election of the Board

### III. Post-holding

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

Name	Main work experience and holding the post
Lv Hang	Master degree, a senior political division. He successively served as chairman, GM and deputy secretary of the general branch in Shenzhen SDG Xiaomeisha Tourism Center; Director and GM of Shenzhen Tellus Holding Co., Ltd.; GM of Shenzhen SDG Property Management Co., Ltd.; now he serves as chairman of the Company.
Yu Lei	Master degree, certified real estate appraiser and Real estate economist. She ever took the post of secretary of international corporation dept. of Vocational Education Training Center of Chaoyang District, Beijing, the deputy director, director and deputy chief of Luohu Branch of Shenzhen Home Land Planning Bureau, the vice director and director of State-owned Assets Supervision and Administration Commission of People's Government of Shenzhen; now she is controlling shareholder of the company, and serves as deputy GM of SHENZHEN SDG CO., LTD. and Director of the Company.
Zhang Quanxun	Master. Served as auditor in audit department and project manager of Shenzhen Zhixin Accounting Firm; general manager assistant of Xiamen Xingdao Feilu Investment Co., Ltd.; secretary of the board and general manager assistant and worker director of Fujian Planning and Investing and Financing Co., Ltd.; deputy director of Xiamen Productivity Promotion Center; director in plastic business department and strategic development department of Shenzhen Tongchan Packaging Group; director in strategic research and merger department of Shenzhen Zhiyuan Investment Co., Ltd.. Serves as the vice president of Shenzhen Capital Fortune Investment and Management Co., Ltd., and the director of the Company.
Chen Gengsen	Bachelor degree, intermediate economist, accountant. Served as accountant in financial department of Guangdong Shanjian International Industry (Group) Co., Ltd.; financial manager of Guangdong Shanjian International Industry (Group) Co., Ltd.; chief financial officer and director in accounting center of Guangdong Shanjian International Industry (Group) Co., Ltd.; chief financial officer of Guangdong Longshan Environmental and Hi-tech Industry Group Co., Ltd.; managing director of Shenzhen Qibang Investment Holdings Co., Ltd.; and serves as president of Shenzhen Shengbang Trading Co., Ltd., and the director of the Company.



Ding Hui	Master degree, a senior political division. He successively served as GM and deputy chairman of Huali Company; chief of office of SDG and serves as Director and GM of the Company currently.
Yang Jianping	Graduate and CPA. Served as the manager in finance and accounting department of Shenzhen SDG Information Co., Ltd., financial manager in Taike Branch, financial manager in Optical Cable Branch, deputy manager in finance and accounting department, manager in finance and accounting department, etc., and serves as Director, chief financial officer of the Company.
Wei Shaohui	Master degree. He ever took post of law assistant and full-time attorney of Guangdong Shu Jun Law Firm. Now he serves as senior partner of Guangdong Shu Jun Law Firm, and independent director of the Company; meanwhile serves as independent director of Longhao Tiandi Co., Ltd. and Shenzhen Click Technology Co., Ltd. respectively.
Ji Huibin	Master degree, senior engineer. He ever took the post of project manager, director of engineering dept. deputy GM and GM of Shenzhen Jianyi Municipal Engineering Co., Ltd; director of engineering dept. and director of operation dept. of Shenzhen Jianyi Industrial Co., Ltd. and deputy GM of Pang Yuan Real Estate Development Co., Ltd. Now he works in Shenzhen International Logistic Development Co., Ltd. and serves as independent director of the Company
Li Xiangjun	Master's degree, economist, CPA, CTA. Served as the leader in Shenzhen Auditing Bureau, and serves as the senior partner of Zhongqin Wanxin Certified Public Accountants (special general partnership), and the independent directors of the Company.
Chen Hua	Bachelor's degree, economist. Served as deputy director in credit investment department of Guangdong International Trust and Investment Co., Ltd., Shenzhen Branch; deputy general manager of Guangdong International Trust and Investment (Hong Kong) Co., Ltd.; director in customer service center of Shenzhen Changjiang Xingye Development Co., Ltd.; director in human resources department of Shenzhen Shipping Corporation; office director of Shenzhen SDG Co., Ltd.; director and general manger of Shenzhen SDG Information Co., Ltd.; and serves as the chairman of the board of supervisors of the Company.
Li Miao	Graduate, senior accountant. Served as chief in audit office of Shenzhen Nanyou (Holdings) Ltd., deputy manager in finance department of Shenzhen Jujian Co., Ltd.; accounting manager in headquarters and director in financial center of Shenzhen Press Group, and chief financial officer in Shenzhen Jin Feng Fan Property Development Co., Ltd; Director of Shenzhen Tellus Holding Co., Ltd; Serves as the director and chief financial officer in the Company's controlling shareholder - Shenzhen SDG Co., Ltd., the supervisor of the Company, and the supervisor of Shenzhen Investment Holdings Limited.
Fu Chunlong	Master degree. He ever took the Business Deputy General Manage of HR Department of Shenzhen SDG Co., Ltd., Deputy Team Leader in Work Team of Shenzhen Tefa Huatong Packaging Co., Ltd. and Deputy Minister of HR Department of Shenzhen SDG Co., Ltd. Now, he is the Deputy Minister of HR Department of Shenzhen SDG Co., Ltd. and Supervisor of the Company.
Ke Wensheng	Bachelor degree, an accountant. He ever acts as the teacher in School of Guangdong Foreign Trade, major accountant of Shenzhen SDG Co., Ltd. and deputy GM and GM of the Accounting and Financial Dept. of the Company. Now, he acts as the GM of Accounting and Financial Dept. and staff supervisor of the Company.
Li Xiao Hong	Bachelor, economists, enterprise human resource manager. Served as a section member in foreign-related business office of Hunan Computer Factory; manger in import and export department and marketing department of Shenzhen Changdao Computer Graphics United Co., Ltd.; staff and director in secretariat of the board of directors, office, the party and the masses personnel department of the Company; deputy manager of the Company's automobile business division and integration division; deputy manager of the Company's human resources department; and serves as the manger and employee supervisor of the Company's human resources (the party and the masses) department;
Ren Yongjian	Bachelor degree, an accountant. He ever took the posts of Deputy Manager of Planning & Financial Dept. and

	Manager of Auditing Dept. in Shenzhen Special Economic Zone Development (Group) Company; Director and CFO of the Company. He now acts as Deputy General Manager of the Company.
Feng Yu	Bachelor degree. He ever took the Deputy General Manger of Shenzhen Xianke Real-estate Co., Ltd., Manager of Investment Department of China Sports Group Industry Co., Ltd.; Director to the Office of General Manger of Shenzhen SDG Co., Ltd; and Supervisor of the Company. Now, he acts as Deputy General Manager of the Company.
Li Ming	Bachelor degree, engineer. Served as a teacher in Guangzhou Nonferrous Metals Industry School; director of engineering and deputy general manager of Shenzhen South Tongfa Real Estate Development Co., Ltd.; director of development department and property management department of Shenzhen South Tongfa Industry Co., Ltd.; deputy general manager, director and chief engineer in enterprise development department of Shenzhen Jintong Property Management Co., Ltd.; manager in Swan project department and deputy general manger of Shenzhen SDG Properties Co., Ltd., and serves as the deputy general manager of the Company.
Qi Peng	Master's degree, economist. Served as the secretary to the president and director in information center of Shenzhen Special Economic Zone Development (Group) Co., Ltd.; deputy director in secretariat of the board, and deputy manger in enterprise development department, and manager in automobile business department and management department of Shenzhen Test Rite (Group) Co., Ltd.; general manager of Shenzhen Test Rite Automobile Service Chain Co., Ltd.; general manager of Shenzhen Test Rite New Yongtong Automobile Development Co., Ltd.; director secretariat of the board of Shenzhen Test Rite (Group) Co., Ltd.; and serves as secretary of the board of the Company

Post-holding in shareholder's unit

√Applicable □ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	Start dated of office term	End date of office term	Received remuneration from shareholder's unit (Y/N)
Yu Lei	SHENZHEN SDG CO., LTD.	Deputy GM			Y
Li Miao	SHENZHEN SDG CO., LTD.	CFO			Y
Fu Chunlong	SHENZHEN SDG CO., LTD.	Director of H&R department			Y
Zhang Quanxun	Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)				Y
Chen Gengsen	Shenzhen Capital Fortune Jewelry Industry Investment Enterprise (limited partnership)				N

Post-holding in other unit

√Applicable □ Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Wei Shaohui	Guangdong Shu Jun Law Firm	Senior partner			Y
Ji Huibin	Shenzhen International Logistic				Y

	Development Co., Ltd.				
Li Xiangjun	Zhong Qin Wanxin Certified Public Accountants (LLP)	Senior partner			Y

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

☐ Applicable ☒ Not applicable

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

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

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

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Lv Hang	Chairman, Party secretary	M	55	Currently in office	76	N
Ding Hui	GM, Director	M	43	Currently in office	27.89	Y
Yang Jianping	CFO, Director	F	44	Currently in office	23.21	Y
Wei Shaohui	Independent Director	M	44	Currently in office	5	N
Ji Huibin	Independent Director	M	46	Currently in office	5	N
Li Xiangjun	Independent Director	M	54	Currently in office	2.92	N
Chen Hua	Chairman of Supervisory Committee	F	52	Currently in office	17.85	Y
Ke Wensheng	Supervisor	F	48	Currently in office	33.82	N

Li Xiaohong	Supervisor	F	48	Currently in office	20.79	N
Ren Yongjian	Deputy GM	M	53	Currently in office	63.97	N
Feng Yu	Deputy GM	M	49	Currently in office	61.24	N
Li Ming	Deputy GM	M	54	Currently in office	23.21	Y
Luo Bojun	Director, GM	M	54	Office leaving	46.29	N
Fu Bin	Director, CFO	M	54	Office leaving	45.28	N
Liu Hongling	Independent Director	F	62	Office leaving	2.08	N
Guan Zhicai	Chairman of supervisory committee	M	62	Office leaving	41.39	N
Wang Guangye	Supervisor	M	58	Office leaving	12.9	N
Yao Xiongbin	Deputy GM	M	53	Office leaving	47.08	N
Total	--	--	--	--	555.92	--

Delegated equity incentive for directors, supervisors and senior executives in reporting period

☐ Applicable ☒ Not applicable

## V. Particulars of workforce

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

Employee in-post of the parent Company (people)	52
Employee in-post of main Subsidiaries (people)	465
The total number of current employees (people)	517
The total number of current employees to receive pay (people)	517
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	217
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	36
Sales personnel	34
Technician	105
Financial staff	43
Administration staff	116

Others	183
Total	517
Education background	
Type of education background	Numbers (people)
Master	13
Bachelor degree	93
Junior college	111
Technical secondary school	50
Other	250
Total	517

## 2. Remuneration Policy

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

## 3. Training programs

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

## 4. Labor outsourcing

☐ Applicable ☒ Not applicable

## Section IX. Corporate Governance

### I. Corporate governance of the Company

During the reporting period, the Company has been observing the Company Law, Securities Law and relevant rules issued by the CSRC, for the purpose of improving its legal person governance structure, setting up and improving the internal control system, and standardizing its operation level. According to the Articles of Association, Procedure Rules of General Meeting, Procedure Rules of Board of Directors, Procedure Rules of Supervisory Committee, Working Rules of Independent Directors, Working Rules of General Manager and a series of rules and regulations, the Company maintained formal procedures, clearly duties and obligations of its general meeting, board of directors, supervisory committee, each specialized committee of the board and senior manager. Each of its directors, supervisors and senior managers can perform their duties earnestly. Its corporate governance conformed to the requirements of certain regulation documents issued by the CSRC concerning corporate governance of listed company until the end of reporting period

During the reporting period, in order to improve the company's internal control system, the company has revised the "Articles of Association" in accordance with the requirements of internal controls and the company's share capital and changes in registered capital, which has been deliberated and approved by the shareholders' meeting. The company has developed the "Interim Management Measures for the Purchase of Financial Products", and "Implementing Rules for Network Voting of Shareholders' Meeting", revised the "Implementing Rules of Remuneration and Appraisal Committee of the Board", "Rules of Procedure of the Audit Committee of the Board", "Working Rules of the Strategy Committee of the Board", and "Interim Provisions for Internal Audit", which have been considered and approved by the board of directors.

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

☐ Yes ☒ No

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

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

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

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

(II) Personnel: the Company establishes complete labor, human resources and salary management systems. All the senior management of the Company receives remuneration from the Company since they are employed by the Company, and no one takes position in the enterprises owned by shareholders.

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

(IV) Finance: the Company has independent financial accounting department which set independent accounting

calculation system and finance management system. No controlling shareholder intervenes in the capital application of the Company. The Company opens separate bank accounts. No capital is saved in the financial company or settlement center account controlled by substantial shareholder or other related parties. The Company pays taxes by law independently.

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

### III. Horizontal competition

☐ Applicable ☒ Not applicable

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

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

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2014	Annual General Meeting	74.97%	2015-05-20	2015-05-21	"Resolution Notice of Annual General Meeting of 2014" (No.: 2015-042) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)
First Extraordinary General Meeting of 2015	Extraordinary General Meeting	66.23%	2015-02-13	2015-02-14	"Resolution Notice of First Extraordinary General Meeting of 2015" (No.: 2015-007) published on Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn)

### 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

☐ Applicable ☒ Not applicable

## V. Responsibility performance of independent directors

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

The attending of independent directors to Board Meeting						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
Liu Hongling	5	1	4	0	0	N
Li Xiangjun	4	2	2	0	0	N
Ji Huibin	9	3	6	0	0	N
Wei Shaohui	9	3	6	0	0	N
Times for attending general meeting from independent directors		2				

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

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

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

☐ Yes ☒ No

Independent directors has no objections for relevant events in reporting period

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

The opinions from independent directors have been adopted

☒ Yes ☐ No

Explanation on advice that accepted/not accepted from independent directors

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

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

The Company set three special committees under the board of directors, namely the strategic committee, the audit committee as well as the remuneration and examination committee.

### 1. Duty performance of the strategic committee

The strategic committee of the board is specially set according to general meeting resolution and the Articles of Association, responsible for study on the long term development strategy and material investment decisions and raising its recommendations. The committee comprised of 5 directors, and the committee is chaired by chairman of the board. During the reporting period, the committee performed its duties according to the Working Rules of



the Strategic Committee, with each of its members doing their best to perform the respective duties. The Committee takes part in the discussion on the operation development planning and related investment projects. Individual opinions and recommendations are encouraged. It emphasizes on legal person governance and standardized operation. By raising measures to prevent operation risks, the committee plays an important role in increasing the core competitiveness, strengthening scientific decisions and enhancing efficiency of material investment decision as well as the quality of decisions.

## 2. The audit committee

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

During the annual audit, the audit committee took active attitude in relevant works. Prior to the official involvement of Ruihua Certified Public Accountants (LLP) (hereinafter referred to as Ruihua) in the annual audit, on 18 January 2016, the audit committee held meeting and determined the working arrangement for 2015 annual audit after negotiation with Ruihua, reviewed the financial statements prepared by the Company, and believed that the preparation of such statements was in compliance with provisions of enterprise accounting principles, reflecting the financial position as of the end of 2015 and operating results of 2015 on a truthful basis. Thus, the committee agreed to submit the financial statements and related information to Ruihua for audit.

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

After the issuance of initial audit opinions by the accountants, the audit committee held meeting on 29 March 2016 to re-review the financial statements, and formed written opinions and resolutions in respect of the annual financial statements, audit work summary report and reengagement of CPA, the reengagement of CPA was submitted to the board for consideration.

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

During the reporting period, the remuneration and examination committee reviewed the remuneration of directors, supervisors and senior management of the Company. The entire members of the committee believed that the remuneration payment in the reporting period complied with the Company's performance examination system. The remuneration of directors, supervisors and senior management were determined according to the relevant systems of the Company.

## VII. Works from Supervisory Committee

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

☐ Yes ☒ No

Supervisory committee has no objection about supervision events in reporting period

## VIII. Examination and incentives of senior management

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

## IX. Internal Control

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

☐Yes ☒No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2016-04-15	
Disclosure index of full internal control evaluation report	http://www.cninfo.com.cn Juchao website http://www.cninfo.com.cn, the website for information disclosure appointed by Shenzhen Stock Exchange	
Included in the scope of the evaluation unit assets accounted for the proportion of the total assets of the company's consolidated financial statements	100.00%	
Included in the scope of evaluation unit operating income accounted for the proportion of the company's consolidated financial statements operating income	98.99%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	1. Major deficiencies: a. Fraud of management leading to material misstatements of financial results or false financial reports, which mislead users of financial statements and result in decision-making mistakes and litigation; b. Ineffective control environment; c. Major internal control deficiencies found and reported to the management but haven't been corrected after a reasonable time; d. The decision-making of the company's major matters has not fulfilled the corresponding decision-making process, resulting in significant losses of the company; e. Important businesses involving the company's production and management are lack of effective control; f. Other correct judgments to the statement users.	1. Major deficiencies: a. Great decisions violate the company's established procedure, resulting in significant losses to the company; b. Serious violation of laws and regulations results in significant losses to the company; c. Important businesses are lack of system control or system control fails; d. Serious brain drain of core management or core technical staff; e. Significant deficiencies in the internal evaluation results have not been corrected.  2. Significant deficiencies: a. The company violates the enterprise internal regulations and causes significant losses; b. Serious brain drain of business personnel in the company's key positions; c. The company's

	<p>2. Significant deficiencies: a. The selection and application of accounting policies do not follow the generally accepted accounting principles; b. Anti-fraud programs and control measures have been not established; c. Corresponding control mechanism for accounts handling of unconventional or special transactions has not been established or implemented and has no there is no appropriate compensatory controls; d. The controls to the period-end financial reporting process have one or more defects and cannot reasonably ensure that the financial statements prepared are true and accurate.</p> <p>3. General deficiencies: Deficiencies except for major and significant deficiencies.</p>	<p>significant business systems have deficiencies; d. The significant deficiencies in the internal control of the company have not been corrected.</p> <p>3. General deficiencies: Deficiencies except for major and significant deficiencies.</p>
Quantitative standard	<p>1. Major deficiencies: misstatement amount &gt; 10% of total profit, and absolute amount &gt; 2 million yuan;</p> <p>2. Significant deficiencies: 5% of total profit &lt; misstatement amount ≤ 10% of total profit, and absolute amount &gt; 1 million yuan; or 1 million yuan &lt; absolute amount ≤ 2 million yuan, and misstatement amount &gt; 5% of total profit.</p> <p>3. General deficiencies: misstatement amount ≤ 5% of total profit, or absolute amount ≤ 1 million yuan</p>	<p>1. Major deficiencies: loss amount &gt; 1.5% of owner's equity attributable to parent company, and absolute amount &gt; 5 million yuan;</p> <p>2. Significant deficiencies: 0.5% of owner's equity attributable to parent company &lt; loss amount ≤ 1.5% of owner's equity attributable to parent company, or 1 million yuan &lt; absolute amount ≤ 5 million yuan;</p> <p>3. General deficiencies: loss amount ≤ 0.5% of owner's equity attributable to parent company, or absolute amount ≤ 1 million yuan</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

**X. Auditing report of internal control**

√Applicable    □ Not applicable

Deliberations in Internal Control Audit Report	
We consider that, according to relevant regulations and “Basic Rules of Internal Control for Enterprise”, Shenzhen Tellus Holding Co., Ltd. maintained an efficiency internal control of financial report dated 31 December 2015, in all material aspects.	
Disclosure details of audit report of internal control	Disclosure
Disclosure date of audit report of internal control (full-text)	2016-04-15
Index of audit report of internal control (full-text)	Juchao website <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , the website for information disclosure appointed by Shenzhen Stock Exchange
Opinion type of auditing report of IC	standard without reserved reports
whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

□Yes    √ No

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

√ Yes    □ No

## Section X. Financial Report

### I. Audit report

Type of audit opinion	Standard unqualified
Date for audited report signed	2016-04-14
Name of audit institution	Ruihua Certified Public Accountants (LLP)
Reference number	Ruihua Shen Zi [2016] No.48330005
CPA	Yuan Longping, Qin Changming

Text of Report

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

We have audited the accompanying financial statements of Shenzhen Tellus Holding Company Limited (“the Company”), which comprise the consolidated and company balance sheet as at 31 December 2015, and the consolidated and company income statement, the consolidated and company cash flow statement, the consolidated and company statements of changes in equity for the year then ended, and notes to these financial statements

#### Management’s Responsibility for the Financial Statements

The Company’s management is responsible for the preparation of financial statements that give a true and fair view. This responsibility includes: (1) Preparing financial statements in accordance with the Accounting Standards for Business Enterprises. (2) Designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China’s Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall

presentation of the financial statements.

## Audit Opinions

In our opinion, the company's financial statements comply with the Accounting Standards for Business Enterprises and present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and the results of operations and cash flows of the Company for the year then ended.

## II. Financial statements

Units in Notes of Financial Statements is RMB

### 1. Consolidated Balance Sheet

Prepared by ShenZhen Tellus Holding Co.,Ltd

2015-12-31

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	159,184,710.93	80,045,669.65
Settlement provisions		
Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	562,051.31	1,373,257.89
Accounts paid in advance	6,454,769.40	6,981,402.87
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable	348,833.33	
Dividend receivable		
Other receivables	11,128,001.89	7,904,999.44
Purchase restituted finance asset		
Inventories	16,151,336.61	48,209,026.18
Divided into assets held for sale		
Non-current asset due within one year		
Other current assets	165,565,445.21	8,968,278.77

Total current assets	359,395,148.68	153,482,634.80
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales	10,478,985.77	10,478,985.77
Held-to-maturity investment		100,000.00
Long-term account receivable		
Long-term equity investment	220,180,721.29	211,270,265.80
Investment property	82,100,133.48	85,083,745.72
Fixed assets	136,583,565.00	142,849,121.72
Construction in progress	279,056,650.35	122,551,469.97
Engineering material		
Disposal of fixed asset		
Productive biological asset		
Oil and gas asset		
Intangible assets	52,985,273.37	53,924,233.96
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	1,499,006.24	905,871.01
Deferred income tax asset	24,488,443.31	25,678,449.05
Other non-current asset	1,900,000.00	
Total non-current asset	809,272,778.81	652,842,143.00
Total assets	1,168,667,927.49	806,324,777.80
Current liabilities:		
Short-term loans		74,719,672.00
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	27,417,068.61	22,340,922.90
Accounts received in advance	11,460,807.66	9,979,166.89
Selling financial asset of repurchase		

Commission charge and commission payable		
Wage payable	19,639,738.81	17,164,185.03
Taxes payable	10,043,901.26	9,055,093.27
Interest payable		
Dividend payable		
Other accounts payable	193,797,786.68	114,533,081.65
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year		120,700,000.00
Other current liabilities		
Total current liabilities	262,359,303.02	368,492,121.74
Non-current liabilities:		
Long-term loans		178,597,550.55
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable	13,972,779.67	13,657,490.94
Long-term wages payable		9,953,557.75
Special accounts payable		
Projected liabilities		
Deferred income		
Deferred income tax liabilities	478,085.12	723,459.18
Other non-current liabilities	13,269,356.04	32,570,237.55
Total non-current liabilities	27,720,220.83	235,502,295.97
Total liabilities	290,079,523.85	603,994,417.71
Owner's equity:		
Share capital	297,281,600.00	220,281,600.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	564,192,605.51	7,672,605.51



Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	2,952,586.32	2,952,586.32
Provision of general risk		
Retained profit	3,742,260.49	-39,026,529.03
Total owner's equity attributable to parent company	868,169,052.32	191,880,262.80
Minority interests	10,419,351.32	10,450,097.29
Total owner's equity	878,588,403.64	202,330,360.09
Total liabilities and owner's equity	1,168,667,927.49	806,324,777.80

Legal Representative: Lv Hang

Person in charge of Accounting Works: Yang Jianping

Person in charge of Accounting Institution: Ke Wensheng

## 2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	80,301,551.68	26,441,746.73
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		
Account paid in advance	101,280.00	106,810.00
Interest receivable	348,833.33	
Dividends receivable		
Other receivables	93,744,827.52	110,350,188.00
Inventories		
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets	145,000,000.00	1,350,000.00
Total current assets	319,496,492.53	138,248,744.73
Non-current assets:		
Available-for-sale financial assets	10,176,617.20	10,176,617.20

Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	682,223,207.17	425,961,150.29
Investment property	52,808,715.01	54,186,250.01
Fixed assets	17,096,105.47	17,961,888.31
Construction in progress	362,279.69	251,308.70
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	478,422.33	274,939.25
Research and development costs		
Goodwill		
Long-term deferred expenses	31,644.20	346,559.91
Deferred income tax assets	13,947,196.24	13,986,138.44
Other non-current assets		
Total non-current assets	777,124,187.31	523,144,852.11
Total assets	1,096,620,679.84	661,393,596.84
Current liabilities:		
Short-term borrowings		19,544,160.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable		
Accounts received in advance		
Wage payable	5,247,871.02	6,918,478.90
Taxes payable	592,579.23	430,065.27
Interest payable		
Dividend payable		
Other accounts payable	320,935,774.45	260,117,846.49
Divided into liability held for sale		
Non-current liabilities due within 1 year		120,700,000.00
Other current liabilities		

Total current liabilities	326,776,224.70	407,710,550.66
Non-current liabilities:		
Long-term loans		132,300,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		3,343,417.98
Special accounts payable		
Projected liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		135,643,417.98
Total liabilities	326,776,224.70	543,353,968.64
Owners' equity:		
Share capita	297,281,600.00	220,281,600.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	560,999,182.23	4,479,182.23
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	2,952,586.32	2,952,586.32
Retained profit	-91,388,913.41	-109,673,740.35
Total owner's equity	769,844,455.14	118,039,628.20
Total liabilities and owner's equity	1,096,620,679.84	661,393,596.84

### 3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	303,726,790.57	464,987,527.80
Including: Operating income	303,726,790.57	464,987,527.80
Interest income		

Insurance gained		
Commission charge and commission income		
II. Total operating cost	277,820,186.88	481,799,447.89
Including: Operating cost	217,992,216.20	389,423,619.69
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	6,189,409.10	5,046,179.83
Sales expenses	14,718,877.28	21,073,376.98
Administration expenses	32,881,868.90	43,509,348.15
Financial expenses	4,343,688.83	17,771,137.44
Losses of devaluation of asset	1,694,126.57	4,975,785.80
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	20,992,313.67	26,001,792.57
Including: Investment income on affiliated company and joint venture	15,252,012.32	24,775,664.82
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	46,898,917.36	9,189,872.48
Add: Non-operating income	533,675.86	965,026.73
Including: Disposal gains of non-current asset	39,278.33	197,088.80
Less: Non-operating expense	139,497.06	129,520.69
Including: Disposal loss of non-current asset	73,623.42	48,602.31
IV. Total Profit (Loss is listed with “-”)	47,293,096.16	10,025,378.52
Less: Income tax expense	4,555,052.61	1,459,170.36
V. Net profit (Net loss is listed with “-”)	42,738,043.55	8,566,208.16

Net profit attributable to owner's of parent company	42,768,789.52	10,345,217.67
Minority shareholders' gains and losses	-30,745.97	-1,779,009.51
VI. Net after-tax of other comprehensive income		-835,925.67
Net after-tax of other comprehensive income attributable to owners of parent company		-835,925.67
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		-835,925.67
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		-835,925.67
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		

Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	42,738,043.55	7,730,282.49
Total comprehensive income attributable to owners of parent Company	42,768,789.52	9,509,292.00
Total comprehensive income attributable to minority shareholders	-30,745.97	-1,779,009.51
VIII. Earnings per share:		
(i) Basic earnings per share	0.1538	0.0470
(ii) Diluted earnings per share	0.1538	0.0470

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Lv Hang

Person in charge of Accounting Works: Yang Jianping

Person in charge of Accounting Institution: Ke Wensheng

#### 4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	36,101,114.68	20,660,013.84
Less: Operating cost	3,735,105.43	3,638,420.84
Operating tax and extras	2,021,662.41	1,156,960.78
Sales expenses		
Administration expenses	15,470,605.96	21,140,261.38
Financial expenses	3,397,372.33	10,587,352.42
Losses of devaluation of asset	97,726.87	31,087.94
Add: Changing income of fair value (Loss is listed with "-")		
Investment income (Loss is listed with "-")	6,945,125.36	15,486,345.99
Including: Investment income on affiliated company and joint venture	2,562,056.88	14,260,218.24
II. Operating profit (Loss is listed with "-")	18,323,767.04	-407,723.53
Add: Non-operating income	2.10	537,511.68
Including: Disposal gains of non-current asset		28,512.68
Less: Non-operating expense		

Including: Disposal loss of non-current asset		
III. Total Profit (Loss is listed with "-")	18,323,769.14	129,788.15
Less: Income tax expense	38,942.20	38,942.20
IV. Net profit (Net loss is listed with "-")	18,284,826.94	90,845.95
V. Net after-tax of other comprehensive income		-835,925.67
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		-835,925.67
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		-835,925.67
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		

VI. Total comprehensive income	18,284,826.94	-745,079.72
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	336,791,620.45	519,037,138.41
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	17,297,241.43	5,904,757.26
Subtotal of cash inflow arising from operating activities	354,088,861.88	524,941,895.67
Cash paid for purchasing commodities and receiving labor service	160,383,590.90	408,051,698.31



Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	58,345,635.86	54,631,918.73
Taxes paid	19,126,200.02	22,018,514.18
Other cash paid concerning operating activities	35,550,807.77	34,025,057.60
Subtotal of cash outflow arising from operating activities	273,406,234.55	518,727,188.82
Net cash flows arising from operating activities	80,682,627.33	6,214,706.85
II. Cash flows arising from investing activities:		
Cash received from recovering investment	360,000,000.00	1,507,458.60
Cash received from investment income	12,040,301.35	4,984,270.40
Net cash received from disposal of fixed, intangible and other long-term assets	540,140.57	312,190.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	372,580,441.92	6,803,919.00
Cash paid for purchasing fixed, intangible and other long-term assets	147,978,461.70	103,733,506.30
Cash paid for investment	585,000,000.00	
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		

Subtotal of cash outflow from investing activities	732,978,461.70	103,733,506.30
Net cash flows arising from investing activities	-360,398,019.78	-96,929,587.30
III. Cash flows arising from financing activities		
Cash received from absorbing investment	635,500,000.00	
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	24,698,215.03	498,797,550.55
Cash received from issuing bonds		
Other cash received concerning financing activities		6,732,343.46
Subtotal of cash inflow from financing activities	660,198,215.03	505,529,894.01
Cash paid for settling debts	327,595,765.58	378,717,530.93
Cash paid for dividend and profit distributing or interest paying	11,785,448.58	17,868,720.63
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	21,828,274.26	1,350,000.00
Subtotal of cash outflow from financing activities	361,209,488.42	397,936,251.56
Net cash flows arising from financing activities	298,988,726.61	107,593,642.45
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-134,292.88	459.55
V. Net increase of cash and cash equivalents	19,139,041.28	16,879,221.55
Add: Balance of cash and cash equivalents at the period -begin	80,045,669.65	63,166,448.10
VI. Balance of cash and cash equivalents at the period -end	99,184,710.93	80,045,669.65

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
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I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	36,101,114.68	20,660,013.84
Write-back of tax received		
Other cash received concerning operating activities	61,726,112.67	674,229.77
Subtotal of cash inflow arising from operating activities	97,827,227.35	21,334,243.61
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	14,782,602.91	10,156,423.38
Taxes paid	4,662,538.78	2,541,986.11
Other cash paid concerning operating activities	44,161,372.89	108,178,198.87
Subtotal of cash outflow arising from operating activities	63,606,514.58	120,876,608.36
Net cash flows arising from operating activities	34,220,712.77	-99,542,364.75
II. Cash flows arising from investing activities:		
Cash received from recovering investment	260,000,000.00	1,507,458.60
Cash received from investment income	10,683,068.48	4,984,270.40
Net cash received from disposal of fixed, intangible and other long-term assets		39,890.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	270,683,068.48	6,531,619.00
Cash paid for purchasing fixed, intangible and other long-term assets	739,303.84	2,253,859.28
Cash paid for investment	725,000,000.00	
Net cash received from subsidiaries and other units		

Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	755,739,303.84	2,253,859.28
Net cash flows arising from investing activities	-455,056,235.36	4,277,759.72
III. Cash flows arising from financing activities		
Cash received from absorbing investment	635,500,000.00	
Cash received from loans		342,500,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	635,500,000.00	342,500,000.00
Cash paid for settling debts	212,600,000.00	239,000,000.00
Cash paid for dividend and profit distributing or interest paying	7,630,720.91	10,652,719.46
Other cash paid concerning financing activities	437,000.00	1,350,000.00
Subtotal of cash outflow from financing activities	220,667,720.91	251,002,719.46
Net cash flows arising from financing activities	414,832,279.09	91,497,280.54
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-136,951.55	-71.82
V. Net increase of cash and cash equivalents	-6,140,195.05	-3,767,396.31
Add: Balance of cash and cash equivalents at the period -begin	26,441,746.73	30,209,143.04
VI. Balance of cash and cash equivalents at the period -end	20,301,551.68	26,441,746.73

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

This Period

In RMB

Item	This Period										
	Owners' equity attributable to parent company									Minoror y interests	Total owners equity
	Share	Other equity instrument	Capital reserve	Less: Invento	Other compre	Reason able	Surplus reserve	Provisio n of	Retaine d profit		

	capital	Prefer red stock	Perpet ual capita l securi ties	Other		ry shares	hensive income	reserve		general risk			
I. Balance at the end of the last year	220,281,600.00				7,672,605.51				2,952,586.32		-39,026,529.03	10,450,097.29	202,330,360.09
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	220,281,600.00				7,672,605.51				2,952,586.32		-39,026,529.03	10,450,097.29	202,330,360.09
III. Increase/Decrease in this year (Decrease is listed with "-")	77,000,000.00				556,520,000.00						42,768,789.52	-30,745.97	676,258,043.55
(i) Total comprehensive income											42,768,789.52	-30,745.97	42,738,043.55
(ii) Owners' devoted and decreased capital	77,000,000.00				556,520,000.00								633,520,000.00
1.Common shares invested by shareholders	77,000,000.00				556,520,000.00								633,520,000.00
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													

2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	297,281,600.00				564,192,605.51				2,952,586.32		3,742,260.49	10,419,351.32	878,588,403.64

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the parent Company											Minority interest s	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Invento ry shares	Other compre hensive income	Reason able reserve	Surplus reserve	Provisio n of general risk	Retaine d profit		
		Prefer red stock	Perpet ual capita l securi ties	Other									
I. Balance at the end of the last year	220,281,600.00				7,672,605.51		835,925.67		2,952,586.32		-49,371,746.70	12,229,106.80	194,600,077.60

Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	220,281,600.00				7,672,605.51		835,925.67		2,952,586.32		-49,371,746.70	12,229,106.80	194,600,077.60
III. Increase/Decrease in this year (Decrease is listed with "-")							-835,925.67				10,345,217.67	-1,779,009.51	7,730,282.49
(i) Total comprehensive income							-835,925.67				10,345,217.67	-1,779,009.51	7,730,282.49
(ii) Owners' devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) 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 surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	220,281,600.00				7,672,605.51			2,952,586.32		-39,026,529.03	10,450,097.29	202,330,360.09	

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

This Period

In RMB

Item	This Period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	220,281,600.00				4,479,182.23				2,952,586.32	-109,673,740.35	118,039,628.20
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	220,281,600.00				4,479,182.23				2,952,586.32	-109,673,740.35	118,039,628.20



III. Increase/Decrease in this year (Decrease is listed with "-")	77,000,000.00				556,520,000.00					18,284,826.94	651,804,826.94
(i) Total comprehensive income										18,284,826.94	18,284,826.94
(ii) Owners' devoted and decreased capital	77,000,000.00				556,520,000.00						633,520,000.00
1.Common shares invested by shareholders	77,000,000.00				556,520,000.00						633,520,000.00
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) 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 surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the											

report period											
(VI)Others											
IV. Balance at the end of the report period	297,281,600.00				560,999,182.23				2,952,586.32	-91,388,913.41	769,844,455.14

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	220,281,600.00				4,479,182.23		835,925.67		2,952,586.32	-109,764,586.30	118,784,707.92
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	220,281,600.00				4,479,182.23		835,925.67		2,952,586.32	-109,764,586.30	118,784,707.92
III. Increase/Decrease in this year (Decrease is listed with "-")							-835,925.67			90,845.95	-745,079.72
(i) Total comprehensive income							-835,925.67			90,845.95	-745,079.72
(ii) Owners' devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based											

payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI) Others											
IV. Balance at the end of the report period	220,281,600.00				4,479,182.23				2,952,586.32	-109,673,740.35	118,039,628.20

## SHENZHEN TELLUS HOLDING CO., LTD.

### Notes to Financial Statements

(For the Year Ended 31 December, 2015 Expressed in RMB Yuan)

#### I 、 Corporation profile

##### 1.Foundation of Tellus

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

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

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

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

Stock market: Shenzhen Stock Exchange

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

Legal representative: Hang LV

The number of business license: 440301103017750

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

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

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

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

##### 3. The history of Tellus

Shenzhen Tellus Holding Company Limited ("the Company") was developed from the Shenzhen Tellus Machinery Co.,Ltd., which established on 11 October, 1986. On 2<sup>nd</sup> January, 1992, with the approval of Shenzhen Municipal People's Government "shen fu ban fu (1992), No. 1850", Shenzhen Tellus Machinery Co.,Ltd. reorganized to a public limited company and renamed to Shenzhen Tellus Machinery Holding Company Limited. On 15 March 1993, with the approval of Bank of China Shenzhen branch "Shen Ren Yin Fu Zi (1993) No.92", the Company issued the initial public registered shares and turned into Limited Liability Company with the name of "Tellus

mechanical and electrical co. LTD, Shenzhen”. At this moment, the whole share capital is 166.88 million shares, including the original 120.9million shares with 45.98 million new shares. The new shares is divided into two parts, one is RMB 25.98 million ordinary shares (A shares) ,the other is special shares (B) RMB 20 million shares

In June 1993, Shenzhen securities management office was about to agree that “Tellus mechanical and electrical co. LTD, Shenzhen”wasqualified to list in Shenzhen stock exchange market(shen zheng ban fu[1993]34) and (shen zheng shi zi [1993]22).On 30 June 1994, the Company changed name to Shenzhen Tellus Holding Company Limited with the approval of Shenzhen administrative bureau for industry and commerce .

On March 15, 1993, with the approval of the branch of people’s bank of China in shenzhen special economic zone, the group could issue A ordinary shares 25.98 million with B ordinary shares20 million (shen ren yin fu zi (1993)092).On June 30, 1994, with the approval of the shenzhen city administration for industry and commerce, Tellus mechanical and electrical co. LTD, Shenzhen was renamed ShenZhen Tellus Holding Co.,Ltd

The capital structure of the Company at listing date:

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

Change of capital structure after established:

(1) Issue bonus shares in 1993

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

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

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

## (2) Issue bonus shares and increase capital in 1994

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

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

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

## (3) Majority shareholder change in 1997

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

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

In December 2005, shenzhen, the State-owned Assets Supervision and Administration Commission agreed about the plan of reforming non-tradable shares. On 4<sup>th</sup> January 2006, Te Fa Group gave 13,717,440 shares to the holders of tradable shares of the company in the A share market. After the split-share reform

was completed, it held 66.22% of the shares capital of the Company.

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

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

#### (5) Private placement of RMB ordinary shares in 2015

According to the 19<sup>th</sup> special meeting of the 7<sup>th</sup> Board Meeting on April 21<sup>st</sup>, 2014, and the 4<sup>th</sup> stockholders' meeting on June 3<sup>rd</sup>, 2014, the Company private issued RMB ordinary shares (A shares) 77,000,000.00 shares to Shenzhen Tefa Group Co. and Shenzhen Yuanzhifuhai Jewelry Investment Co. The total raising money is less than RMB 646,800,000.00 and it is all by cash.

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

Till the end of 2015, the Company had issued 29,728.16 million shares, details in Note 7.31.

#### 4. The scope of consolidation

There are 14 subsidiaries included in the 2015 consolidation scope, details in notes 8 "the equity in other entities". Compared with last year (2014), there is no difference in the consolidation scope.

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

The financial statements of the Company are authorized to be issued to the public on April 14<sup>th</sup>, 2016 by the Board of Directors.

## II、Basis of Preparation

### 1. Basis of preparation

The financial statements of the Company have been prepared on the basis of going

concern in conformity with Chinese Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises issued by the Ministry of Finance of People's Republic of China in February 2006, and Accounting Standards (order No.33 of the Ministry of Finance announced and order No.76 of the Ministry of Finance revised ) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

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

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

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

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

According to the Chinese Accounting standards,the Group ensures the relevant accounting policies and estimation by means of characteristics of subsidiaries. In terms of the explanation of judgment and estimation of important accounting policies made by Board of Directors, details will be found in notes 4.31 "the important judgment and estimation".

#### **1、 Accounting period**

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



December 31.

## **2、Operating Cycle**

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

## **3、Monetary Unit**

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

## **4、Basis of accounting**

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

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

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

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

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

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

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

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

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

Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest

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

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

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

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

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

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

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

The subsidiary of the Group is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases. For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as

appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements. Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiaries are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

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

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

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total

amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. The amount recognized in other comprehensive income in relation to the former subsidiary's equity investment is reclassified as investment income for the current period when control is lost. The retained interest is subsequently measured according to the rules stipulated in the "Chinese Accounting Standards for Business Enterprises No.2—Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22—Determination and measurement of financial instruments" . Details in Note 4. 7 "Financial instruments" or Note 4.10 "Long-term equity investments" .

## **6、The methods of making consolidated financial statements**

### **(1) The standards of ensure scope of financial statements**

Control is the foundation of ensuring the scope financial statements. Control is referring to the power of controlling investee via the relevant investing activities with changeable returns and of influencing to change values of them. The consolidation scope refers to the group and subsidiaries. Subsidiary is entity of the controlled party.

### **(2) The methods of making consolidated financial statements**

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

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

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

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

When losing the control power of subsidiaries because of depositing partial share capital, for the remaining values, it will be recalculated. The sum of consideration at acquisition date minus the original equity held by the group with the relevant route, the difference should be listed into current investment outcome. The comprehensive income relevant to subsidiaries should be used the same accounting methods to measure. Besides, for the remaining share capital, it should be measured by the accounting standards of NO.2 and NO.22, details will be found in notes 4.9 or notes 4.13.

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

## **7. Joint Venture**

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

The equity method will be used into the calculation, details will be found in 4.13 (2) ②.

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

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

## **8. Cash and Cash equivalent**

Cash and cash equivalents of the Group include cash on hand, ready usable

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

## 9. Foreign exchange

### (1) Translation in foreign exchange transactions

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

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

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

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

## 10. Financial instruments

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

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

associations, pricing authorities; it represents the fair market trading price in the actual transaction.

For a financial instrument which does not have an active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

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

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

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

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

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

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

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



A. the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.

B. a group of financial instruments is managed and its performance is evaluated on a fair value basis, and is reported to the enterprise's key management personnels. Formal documentation regarding risk management or investment strategy has prepared.

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

## ② Investment held-to maturity

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

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

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

## ③ Loans and receivables

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

Loans and receivables are subsequently measured at amortized cost using the

effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

#### ④ Financial assets available-for-trade

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

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

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

#### (3) Impairment of financial assets

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

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

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

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded

as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

## ② Impairment loss on available-for-trade financial assets

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

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

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

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

## (4) Recognition and measurement of financial assets transfer

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

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a “pass-through” arrangement; or

3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

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

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

## ②Other financial liabilities

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

## (6) Derecognition

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

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

## (7) Derivatives and embedded derivatives

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

## (8) Offsetting financial assets and financial liabilities

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

## (9) Equity instruments

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

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

## 11、Account receivables

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

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

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

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

### (2) Method for bad debts provision

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

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

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

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

#### A. Evidence of credit risk characteristics

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

##### Evidence of portfolios:

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

#### B. Provision by credit risk characteristics

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

##### Provisions for difference portfolios:

Item	Method of provision
Aging portfolios	Provision by Aging

##### a. Provision by Aging analysis

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

#### ③ Provisions of bad debts that is individually insignificant.

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

For the account receivables not individually significant, the Group assesses the account receivables individually for impairment when are of following characteristics: if there is objective evidence indicating the impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly. For example, account

receivables with related parties; account receivables under litigations or arbitrations, or account receivables with obvious indication that debtor cannot fulfill the obligation of repayment.

(3) The reversal of bad debts provision

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

## 12、Inventories

(1) Classification of inventory

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

(2) Valuation method of inventories upon delivery

Inventories are initially carried at the actual cost and delivered at the value by weighted average method.

The low value consumables and packaging should be amortized in equal installment.

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

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

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

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



for the period.

(4) Inventory system is maintained for stock system.

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

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

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

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

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

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

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

### (1) Determination of investment cost

For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be carrying value of the absorbing party's share of the owners' equity of the party being absorbed at the date of combination. For a business combination not involving enterprise under common control, the combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. Transaction fee of equity securities or debt securities issued by purchaser's business combination should be calculated in initializing confirming amount of equity securities or debt securities.

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

### (2) Subsequent measurement

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

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

① Cost method of accounting for long-term equity investments

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

② Equity method of accounting for long-term equity investments

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

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

When the investee is recognized net losses, reduce the carrying value of long-term equity investments and long-term equity of net investment (in substance) in investee to zero. In addition, the Group has the obligations on additional losses, then the expected obligation as estimated liabilities and included in the current investment

losses. Where the net profit from investee units, restoration confirm the amount of revenue sharing after offset the amount of unrecognized loss sharing.

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

### ③ Acquisition of minority interest

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

### ④ Disposal of long-term equity investment

Where the parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note 4.5 applies.

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

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

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

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

Recognition of investee under common control or significant influence

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

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

## **15、Investment properties**

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

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

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

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

## **16、Fixed assets**

### **(1) The conditions of recognition**

Fixed assets refers to the tangible assets that are held for the sake of producing

commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year.

## (2) The method for depreciation

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

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

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

## (3) Measurement and recognition of fixed assets

Impairment and provisions of fixed assets are disclosed on Note 4.17 "Impairment of non-current non-financial assets".

## (4) Others

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

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

The Group conducts a review of useful life, expected net realizable value and

depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

## **17、Construction in progress**

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note 4.17 'Impairment of non-current financial assets'.

## **18、Borrowing costs**

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

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

Assets qualified for capitalization are the fixed assets, investment properties or inventories which need a long time of construction or production activities before

ready for intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognized as an expense for the current period until the acquisition, construction or production is resumed.

## **19、Intangible assets**

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

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

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

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

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

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

### **(2) Research and Development expenditures**

The expenditures of the internal research could be divided into two phrases: a



research phrase and a development phrase.

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

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

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

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

Testing method for provision impairment of intangible assets and accrued method for provision impairment please refer to Note 4.20 'Impairment of non-current financial assets'.

## **20、Long-term prepaid expenses**

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

## **21、Long-term assets impairment**

On each balance sheet date, the Group will make judgments to determine whether there are signs for impairment to the fixed assets, construction in progress, definite intangible assets, investment properties & equity investment in subsidiaries & joint ventures & jointly run business measured using the cost method etc. non-current and

non-financial assets. If there are signs for impairment, the impairment should be tested by estimating the recoverable amount. Goodwill, indefinite intangible assets and intangible assets having not reached the usable condition, should be yearly tested for impairment no matter whether there are signs for impairment.

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

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

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

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

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

recognized.

## **22.Employee benefits**

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

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

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

Post-employment benefits include items such as the following:

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

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

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

## **23.Accrued liabilities**

Accrued liabilities (or Provisions) are recognized when following obligations related to a contingency are satisfied simultaneously. They are (a) such obligation is the present obligation of the Group, (b) it is probable that an outflow of economic benefits will be required to settle the obligation, and (c) the amount of the obligation can be measured reliably.

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

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

#### (1) Onerous contracts

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

#### (2) Restructuring Obligation

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

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

## **24. Revenue**

### (1) Revenue from sales of goods

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial

involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably.

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

## (2) Revenue from services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The stage of completion of a transaction for rendering services is determined based on [survey of work performed / services performed to the date of as a percentage of total services to be performed / the proportion that costs incurred to date bear to the estimated total costs of the transaction]

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

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

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

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

## (3) Revenue from royalty revenue

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

basis.

#### (4) Revenue from interests

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

### **25. Government Grants**

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

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

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

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

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

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

to recover the assets or settle the liabilities.

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

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

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

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

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

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

Except mentioned above, the Group recognizes other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

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

differences can be utilized.

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

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

## **27. Leases**

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

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

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

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

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

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

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

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

The net amount of minimum lease payment deducted by the unrecognized finance



shall be separated into long-term liabilities and long-term liability within one year for presentation.

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

## ②The Group as Leaser under Operating Lease

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

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

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

## **28. Material accounting judgments and accounting estimations**

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

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

influence the current period ,but also affect the future periods, the influenced amount will be recognized in the current period and future period.

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

(1) The classification of lease

The lease are classified into operating lease and finance lease, according to the “Accounting Standards for Business Enterprise No.21-Lease” .When making the classification, the management need to make analysis and judgment about whether all risk and reward related with the ownership of assets leased out have been substantially transferred to the lessee or not ,or whether all risk and reward related with the ownership of the assets leased have substantially assumed by the Group.

(2) The provision for allowance for bad debt

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

(3) Provision for inventory

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

(4) The fair value of financial instrument

For the financial instrument lacking active trading market, the Group will use several valuation methods to make sure the fair value. The methods include the model to analyze the discounted cash flow etc. The Group will evaluate the following aspects,

such as the future cash flow, credit risk, market volatility and the relativity etc. and then choose the applicable discounted rate, when making the evaluation. There are uncertainties for the relevant assumptions whose changes will influence the fair value of financial instrument.

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

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

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

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

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

The Group will test the goodwill for impairment at least once a year, which requires to estimate the present value of the future cash flows of the assets and assets group allocated with the goodwill . When estimating the present value to the future cash flow, the Group need to estimate the cash flows generating from the assets and assets group, and choose the applicable discount rate to determine the present value.

#### (6) Depreciation and amortization

The Group use the straight-line method to depreciate and amortize the investment real estate, fixed assets and intangible assets within the useful life after taking into the consideration of the residual value. By the way, the amount of depreciation and amortization during the report period are determined. The useful life is determined

based on past experience and the predicted technical changes of similar assets. If there are significant changes of previous estimations, the depreciation and amortization would be adjusted in the future periods.

#### (7) Deferred tax asset

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

#### (8) Income tax

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

### 29. Changes in major accounting policies and accounting estimates

#### (1) Changes of accounting policies

There were no changes of accounting policies.

#### (2) Changes of accounting estimates

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

## V、Principal Taxes Applied

### Taxes and their rates

Category	Taxable basis	Tax rate
Value added tax ("VAT")	Goods sales income, taxi operating income	17% & 3%
Business tax	Proceeds from sales of properties, leasing income, property management income	5%
Business tax	Construction, installation income	3%
Construction tax	Turnover tax	7%
Educationsurcharge(Local Educationsurcharge)	Turnover tax	5%
Income tax	Income tax payable	25% & 16.5%

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

## VI、 Notes to the Consolidated Financial Statements

Unless specified, the items of the Opening in the followings (including the notes to the Company financial statements) refers to the date of January 1, 2015, the Closing refers to the December 31, 2015.

### 1、 Monetary assets

Items	Closing balance	Opening balance
Cash on hand	75,003.23	84,813.57
Cash in bank	159,109,707.70	79,960,856.08
Other monetary funds		
Total	159,184,710.93	80,045,669.65

Up to December 31<sup>st</sup>, 2015, the Company buy 3 months structural deposits in China Everbright Bank worth RMB 60,000,000.00 which the ownership is limited.

### 2、 Accounts receivables

#### (1) Accounts receivable by categories

Items	Closing balance				
	Book balance		Bad debt provision		Carrying amount
	Amount	(%)	Amount	(%)	
Accounts receivable of which provision for bad debts is of individually significant	22,512,414.52	45.61	22,512,414.52	100.00	
The aging analysis of the receivables that are grouped and impaired	562,051.31	1.14			562,051.31
Accounts receivable of which provision for bad debts is of individually insignificant	26,282,070.64	53.25	26,282,070.64	100.00	
Total	49,356,536.47	100.00	48,794,485.16	98.86	562,051.31

(continued)

Items	Opening balance		
	Book balance	Bad debt provision	Carrying

	Amount	(%)	Amount	(%)	amount
Accounts receivable of which provision for bad debts is of individually significant	22,512,414.52	45.65	22,512,414.52	100.00	
The aging analysis of the receivables that are grouped and impaired	2,137,058.59	4.33	763,800.70	35.74	1,373,257.89
Accounts receivable of which provision for bad debts is of individually insignificant	24,674,068.64	50.02	24,674,068.64	100.00	
Total	49,323,541.75	100.00	47,950,283.86	97.22	1,373,257.89

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

Accounts receivables	Closing balance			
	Carrying amount	Bad debt provision	Ratio %	Reason
Shenzhen Jinlu Trading Co.,Ltd.	9,846,607.00	9,846,607.00	100.00	Uncertainly withdraw
Guangdong Zhanjiang Sanxing Automobile Co.,Ltd	4,060,329.44	4,060,329.44	100.00	The aging is too long to collect
Changlong WANG	2,380,760.40	2,380,760.40	100.00	The aging is too long to collect
Huizhou Jiandacheng Co.,Ltd.	2,021,657.70	2,021,657.70	100.00	It is hardly to collect
Jiangling Automobile Factory	1,191,059.98	1,191,059.98	100.00	The aging is too long to collect
Yangjiang Automobile Trading Co.,Ltd.	1,150,000.00	1,150,000.00	100.00	The aging is too long to collect
Guangdong Province Commodity Group	1,862,000.00	1,862,000.00	100.00	The aging is too long to collect
Total amount	22,512,414.52	22,512,414.52	100.00	

② Bad debt provision by aging

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio (%)
Within 1 year	562,051.31		
Total	562,051.31		

(2) Bad-debt collected in 2015

The bad-debt in 2015 is RMB 844,201.30 without collecting.

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

Name of entities	Relationship with the	Amount	Age	Proportion of the amount to
------------------	-----------------------	--------	-----	-----------------------------

	Group			the total AR (%)
Shenzhen Jinlu Trading Co.,Ltd.	Un-related party	9,846,607.00	Over 3year	19.95
Guangdong Zhanjiang Sanxing Antomobile Co.,Ltd	Un-related party	4,060,329.44	Over 3year	8.23
Changlong WANG	Un-related party	2,380,760.40	Over 3year	4.82
Huizhou Jianda Bridge Engineering Co.,Ltd	Un-related party	2,021,657.70	Over 3year	4.10
Guangdong Province Commodity Group	Un-related party	1,862,000.00	Over 3year	3.77
Total		20,171,354.54		40.87

(4) Accountreceivables from which the financial instruments had been transferred  
There is no situation happened in 2015 under this condition.

(5) The value of transferred accounts receivables changed into asset or liabilities  
There is no situation happened in 2015 under this condition.

### 3、Prepayments

#### (1) Aging analysis

Aging	Closing balance		Opening balance	
	Amount	(%)	Amount	(%)
Within 1 year	5,751,990.04	89.11	6,384,573.51	91.45
1-2 years	126,950.00	1.97	586,865.42	8.41
2-3 years	565,865.42	8.77		
Over 3 years	9,963.94	0.15	9,963.94	0.14
Total	6,454,769.40	100.00	6,981,402.87	100.00

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

The value of Top 5 entities in the closing balance is RMB 6,399,561.45 with the ratio of 99.14 %.

### 4、Premiums account receivable

#### (1) Premiums account receivable by categories

Category	Closing balance	Opening balance
Structural deposits	348,833.33	
Total	348,833.33	

### 5、Other receivables

(1) Other receivables by categories

Category	Closing balance				
	Carrying amount		Bad debt provision		Carrying amount
	Amount	(%)	Amount	(%)	
Other receivables of which provision for bad debts is of individually significant	39,180,176.91	60.75	39,180,176.91	100.00	
The aging analysis of the other receivables that are grouped and impaired	14,673,158.28	22.75	3,545,156.39	24.16	11,128,001.89
Other receivables of which provision for bad debts is of individually insignificant	10,643,328.95	16.50	10,643,328.95	100.00	
Total	64,496,664.14	100.00	53,368,662.25	82.75	11,128,001.89

(Continued)

Category	Opening balance				
	Carrying amount		Bad debt provision		Carrying amount
	Amount	(%)	Amount	(%)	
Other receivables of which provision for bad debts is of individually significant	39,166,619.18	64.00	39,166,619.18	100.00	
The aging analysis of the other receivables that are grouped and impaired	11,354,470.45	18.55	3,449,471.01	30.38	7,904,999.44
Other receivables of which provision for bad debts is of individually insignificant	10,675,308.95	17.45	10,675,308.95	100.00	
Total	61,196,398.58	100.00	53,291,399.14	87.08	7,904,999.44

① The significant individuals in the end of year

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



Name of companies	Closing balance			
	Carrying amount	Bad debt provision	Ratio %	Reason
Shenzhen Zhonghao (Group) Co.,Ltd.	5,000,000.00	5,000,000.00	100.00	Win the case, this company do not have asset to pay.
Jinbeili Household Company	2,706,983.51	2,706,983.51	100.00	It is too long to collect
Shenzhen Xinxingtai Trading Co.,Ltd.	2,418,512.90	2,418,512.90	100.00	It is unexpected to collect since the company has gone
Shenzhen Petrochemical Group	1,902,686.77	1,902,686.77	100.00	It is unexpected to collect
Shenzhen Tefa Huatong Casing Co.,Ltd.	1,212,373.79	1,212,373.79	100.00	It is unexpected to collect since the company has gone
Shenzhen Jinhe Mould Co.,Ltd.	1,023,560.00	1,023,560.00	100.00	It is unexpected to collect since the company has gone
Heyuan Dongfeng Technique Service Station	930,000.00	930,000.00	100.00	It is unexpected to collect since the company has gone
Shenzhen Nuor Electromechanical Co.,Ltd.	906,024.60	906,024.60	100.00	It is too long to collect
Shenzhen South Great Wall Investment Co.,Ltd.	819,460.91	819,460.91	100.00	It is uncertain to collect
Shenzhen Xiandao Chemical Materials Co.,Ltd.	660,790.09	660,790.09	100.00	It is unexpected to collect since the company has gone
Shenzhen Baodong Real Estate Co.,Ltd.	609,773.00	609,773.00	100.00	It is too long to collect
Others	3,797,994.22	3,797,994.22	100.00	It is too long to collect
Total	39,180,176.91	39,180,176.91	100.00	

② Other receivables by aging balance

Aging	Closing balance		
	Carrying amount	Bad debt provision	Ratio(%)
Within 1 year	7,073,581.75		
1-2 years	82,841.64	4,142.08	5.00
2-3 years	724,510.45	144,902.09	20.00
Over 3 years	6,792,224.44	3,396,112.22	50.00
Total	14,673,158.28	3,545,156.39	

(2) Situation of bad-debt in 2015

The value of bad-debt in 2015 is RMB 109,243.11. The bad-debt has been written-off RMB 31,980.00 in this year.

Including: The important written-off of bad-debt in 2015

Names	Amount	Collecting way
Shenzhen Government Purchasing Center	20,000.00	By transfer
Shenzhen Haiguanyuan Industry Co.,Ltd.	480.00	By transfer
Shenzhen Futian Huada Stationery Trading Co.	1,500.00	By transfer
Others	10,000.00	By transfer
Total	31,980.00	

(3) The classification of other receivables

Category	Carrying amount of closing balance	Opening balance
Related-party	4,881,267.41	4,803,420.77
Others	59,615,396.73	56,392,977.81
Total	64,496,664.14	61,196,398.58

(4) At 31 December 2015, the top five debtor of other receivable balance:

Name of companies	Relationship with the company	Closing balance	Age	Ratio(%)	Bad-debt closing balance
Zhongqi Huanan Automobile Sales Co.,Ltd.	Non-related party	9,832,956.37	Over 3 years	15.25	9,832,956.37
Shenzhen Nanfang Industry and Trade Co.,Ltd.	Non-related party	7,359,060.75	Over 3 years	11.41	7,359,060.75
Shenzhen Zhonghao (Group) Co.,Ltd.	Non-related party	5,000,000.00	Over 3 years	7.75	5,000,000.00
Shenzhen Kaifeng Automobile Co., Ltd.	Non-related party	4,413,728.50	Over 3 years	6.84	2,206,864.25
Jinbeili Household Company	Non-related party	2,706,983.51	Over 3 years	4.20	2,706,983.51
Total		29,312,729.13		45.45	27,105,864.88

## 6、Inventory

### (1) Categories of inventory

Items	Closing balance		
	Carrying amount	Provision for inventories	Net carrying amount
Raw materials	15,162,375.25	14,771,812.17	390,563.08
Low value consumables	2,103.50		2,103.50
Finished products	29,943,254.48	14,184,584.45	15,758,670.03
Total	45,107,733.23	28,956,396.62	16,151,336.61

(continued)

Items	Opening balance		
	Carrying amount	Provision for inventories	Net carrying amount
Raw materials	14,887,672.70	14,771,812.17	115,860.53
Low value consumables	4,053.49		4,053.49
Finished products	62,007,456.28	13,918,344.12	48,089,112.16
Total	76,899,182.47	28,690,156.29	48,209,026.18

### (2) Inventory revaluation reserve

Items	Opening balance	Increased in 2015		Decreased in 2015		Closing balance
		Withdraw	Others	Written-off	Others	
Raw materials	14,771,812.17					14,771,812.17
Low value consumables						
Finished products	13,918,344.12	759,921.00		493,680.67		14,184,584.45
Total	28,690,156.29	759,921.00		493,680.67		28,956,396.62

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

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

## 7、Other current assets

Items	Closing balance	Opening balance
Deductible input tax	565,445.21	7,618,278.77

Non-public issue expenses		1,350,000.00
Available-for-sale financial assets (within 1 year)	165,000,000.00	
Total	165,565,445.21	8,968,278.77

## 8、Available-for-sale financial assets

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

Items	Closing balance			Opening balance		
	Book value	Impairment loss	Net book value	Book value	Impairment loss	Net book value
Available-for-sale equity investments	18,605,225.77	8,126,240.00	10,478,985.77	18,605,225.77	8,126,240.00	10,478,985.77
Include : Measured by faie value						
Measured by cost value	18,605,225.77	8,126,240.00	10,478,985.77	18,605,225.77	8,126,240.00	10,478,985.77
Total	18,605,225.77	8,126,240.00	10,478,985.77	18,605,225.77	8,126,240.00	10,478,985.77

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

Names	Carrying amount				Bad debt provision				Ratio (%)
	Opening balance	Increased	Decreased	Closing balance	Opening balance	Increased	Decreased	Closing balance	
China Pufa Machinery Industrial Co.,Ltd.	10,176,617.20			10,176,617.20					4.94
Shenzhen Jingwei Industrial Co.,Ltd.	4,000,000.00			4,000,000.00	4,000,000.00			4,000,000.00	12.50
Shenzhen (Moscow) Co.,Ltd.	825,000.00			825,000.00	825,000.00			825,000.00	7.00
Wuhan Weite Hotel	640,000.00			640,000.00	640,000.00			640,000.00	
Shenzhen Petrochemical Industry (Group) Co., Ltd.	700,000.00			700,000.00	700,000.00			700,000.00	100,000 shares
Shenzhen Shuntian Vehicle Technology Co.,Ltd.	600,000.00			600,000.00	600,000.00			600,000.00	11.10
Shenzhen Jinhe Mould Co.,Ltd	453,440.00			453,440.00	453,440.00			453,440.00	15.00
Shenzhen Zhongqi Training Center	600,000.00			600,000.00	600,000.00			600,000.00	6.25
Minilong	162,000.00			162,000.00	162,000.00			162,000.00	6.25
Shenzhen Bisik Transportation Industrial Co., Ltd	302,368.57			302,368.57					7.50
Rishen International Co.,Ltd	145,800.00			145,800.00	145,800.00			145,800.00	7.50
Total	18,605,225.77			18,605,225.77	8,126,240.00			8,126,240.00	

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

Items	Available-for-sale equity instrument	Available-for-sale liabilities instrument	Total
Opening balance	8,126,240.00		8,126,240.00
Withdraw in 2015			
including: from comprehensive profits			
Decreased in 2015			
including: fair value of return back			
Closing balance	8,126,240.00		8,126,240.00

## 9、Held-to-maturity investment

## (1) Situation

Item	Closing balance			Opening balance		
	Book value	Bad debt provision	Net book value	Book value	Bad debt provision	Net book value
National coupons	20,000.00	20,000.00		120,000.00	20,000.00	100,000.00
Total	20,000.00	20,000.00		120,000.00	20,000.00	100,000.00

## 10、Long-term receivables

## (1) Situation

Items	Closing balance			Opening balance			Discount Rate Range
	Book value	Bad debt provision	Net book value	Book value	Bad debt provision	Net book value	
Other:							
Long-term equity	2,179,203.68	2,179,203.68		2,179,203.68	2,179,203.68		
including: Shenzhen Tellus Automobile Services Chain Co.,Ltd. *	2,179,203.68	2,179,203.68		2,179,203.68	2,179,203.68		
total	2,179,203.68	2,179,203.68		2,179,203.68	2,179,203.68		

Note: \*This company is one of the joint companies, the non-operating account receivable is actually the net investment to Shenzhen Tellus Automobile Services Chain Co.,Ltd. At 2015 Dec. 31<sup>st</sup>, the liabilities exceeds its assets and the owner's

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

## 11、Long-term equity investments

Investee	Opening balance	Change in 2015				
		Increasing investment	Decreasing investment	Investment income under equity-method	Adjustment of comprehensive profits	Other changes
I 、Cooperative enterprise						
Shenzhen Tellus Jimeng Investment Co.,Ltd.	59,717,642.94			82,052.79		
Shenzhen Tellus Xing Investment Co.,Ltd.	9,313,071.40			645,073.44		
Total	69,030,714.34			727,126.23		
II 、Joint venture						
Shenzhen Xing Long Mechanical Models Co.,Ltd. *Note	15,878,254.74					
Shenzhen Tellus Automobile Services Chain Co.,Ltd.						
Shenzhen Ren fu Tellus Automobiles Services Co.,Ltd.	77,212,637.60			1,834,930.65		
Shenzhen Automobile Industrial Import and Export Co.,Ltd	8,273,939.33			19,866.40		
Shenzhen Dongfeng Automobile Co., Ltd.	40,183,926.36			12,775,199.38		
Shenzhen Xinyongtong Tenology Co.,Ltd	522,733.17			-35,855.01		
Shenzhen Xinyongtong Pump and Environmental Protection Co.,Ltd	127,836.59					
Shenzhen Xinyongtong Consulting Service Co.,Ltd.	41,556.83					
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	126,503.43			-69,255.33		

Investee	Opening balance	Change in 2015				
		Increasing investment	Decreasing investment	Investment income under equity-method	Adjustment of comprehensive profits	Other changes
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.						
Shenzhen Xinyongtong Xinda Inspection Equipment Co.,Ltd						
Hunan Changyang Industrial Co.,Ltd.*Note①	1,810,540.70					
Shenzhen Jiecheng Electronic Co.,Ltd.*Note①	3,225,000.00					
Shenzhen Xiandao Chemical Materials Co.,Ltd.*Note①	4,751,621.62					
China Automobile Shenzhen Trading Co.,Ltd.*Note①	400,000.00					
Shenzhen General Standard Co.,Ltd.*Note①	500,000.00					
Shenzhen Torch Spark Plug Industrial Co.,Ltd.*Note①	17,849.20					
Zhongqi South China Automobile Sales Co.,Ltd. *Note①	2,250,000.00					
Shenzhen Bailiyuan Power Co.,Ltd.*Note①	1,320,000.00					
Shenzhen Yiming Automobile Trading Co.,Ltd.*Note①	200,001.10					
Total	156,842,400.67			14,524,886.09		
III、Others						
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*Note *②	1,956,000.00					
Nanfang Automobile Repairing Center *Note *②	6,700,000.00					



Investee	Opening balance	Change in 2015				
		Increasing investment	Decreasing investment	Investment income under equity-method	Adjustment of comprehensive profits	Other changes
Total	8,656,000.00					
Total	234,529,115.01			15,252,012.32		

(continued)

Investee	Change in 2015			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
I 、Cooperative enterprise					
Shenzhen Tellus Jimeng Investment Co.,Ltd.				59,799,695.73	
Shenzhen Tellus Xing Investment Co.,Ltd.				9,958,144.84	
Total				69,757,840.57	
II 、Joint venture					
Shenzhen Xing Long Mechanical Models Co.,Ltd. *Note				15,878,254.74	
Shenzhen Tellus Automobile Services Chain Co.,Ltd.					
Shenzhen Ren fu Tellus Automobiles Services Co.,Ltd.	6,300,000.00			72,747,568.25	
Shenzhen Automobile Industrial Import and Export Co.,Ltd				8,293,805.73	
Shenzhen Dongfeng Automobile Co., Ltd.				52,959,125.74	
Shenzhen Xinyongtong Tenology Co.,Ltd				486,878.16	
Shenzhen Xinyongtong Pump and Environmental Protection Co.,Ltd				127,836.59	127,836.59
Shenzhen Xinyongtong Consulting Service				41,556.83	41,556.83

Investee	Change in 2015			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
Co.,Ltd.					
Shenzhen Xinyongtong Automobile Service Co.,Ltd.				57,248.10	
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.					
Shenzhen Xinyongtong Xinda Inspection Equipment Co.,Ltd					
Hunan Changyang Industrial Co.,Ltd.*Note①				1,810,540.70	1,810,540.70
Shenzhen Jiecheng Electronic Co.,Ltd.*Note ①				3,225,000.00	3,225,000.00
Shenzhen Xiandao Chemical Materials Co.,Ltd.*Note①				4,751,621.62	4,751,621.62
China Automobile Shenzhen Trading Co.,Ltd. *Note①				400,000.00	400,000.00
Shenzhen General Standard Co.,Ltd.*Note①				500,000.00	500,000.00
Shenzhen Torch Spark Plug Industrial Co.,Ltd.*Note①				17,849.20	17,849.20
Zhongqi South China Automobile Sales Co.,Ltd. *Note①				2,250,000.00	2,250,000.00
Shenzhen Bailiyuan Power Co.,Ltd.*Note①				1,320,000.00	1,320,000.00
Shenzhen Yiming Automobile Trading Co.,Ltd. *Note①				200,001.10	200,001.10
Total	6,300,000.00			165,067,286.76	14,644,406.04
III、Others					
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*Note *②				1,956,000.00	1,956,000.00
Nanfang Automobile Repairing Center *Note *				6,700,000.00	6,700,000.00

Investee	Change in 2015			Closing balance	Closing balance for bad debt provision
	Declaration of cash dividends or profits	Bad debt provision	Others		
②					
Total				8,656,000.00	8,656,000.00
Total	6,300,000.00			243,481,127.33	23,300,406.04

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

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

## 12、Real estate Investment

### (1) Measured by the cost of investment in real estate

Items	House, Building	Total
I. Original book value		
1、Opening balance	159,169,717.60	159,169,717.60
2、Increased at this period	1,700,938.91	1,700,938.91
(1) Land premium	1,700,938.91	1,700,938.91
3、Decreased at this period		
(1) Disposal		
4、Closing balance	160,870,656.51	160,870,656.51
II、Total accumulated depreciation and accumulated amortization		
1、Opening balance	74,085,971.88	74,085,971.88
2、Increased at this period	4,684,551.15	4,684,551.15
(1) Provision or amortization	4,684,551.15	4,684,551.15
3、Decreased at this period		
(1) Disposal		
4、Closing balance	78,770,523.03	78,770,523.03
III. Impairment allowance		
IV. Book value		
1、Closing book value	82,100,133.48	82,100,133.48

Items	House, Building	Total
2、Book value at year beginning	85,083,745.72	85,083,745.72

(2) The details of real estate investment of ownership or use-right restriction refer to Note VI-4.

(3) There are no real estate investment buildings without property certificate up to December 31<sup>st</sup>, 2015.

### 13、Fixed assets

#### (1) List of fixed assets

Items	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office equipment and others	Self-owned housing decoration	Total
I.Original book value							
1、Opening balance	271,582,729.60	20,203,188.64	6,232,481.81	11,566,041.28	4,179,271.23	3,056,469.95	316,820,182.51
2、Increased at this period		1,056,100.00	678,758.51	1,041,903.17	88,862.08		2,865,623.76
(1) Purchase		1,056,100.00	678,758.51	1,041,903.17	88,862.08		2,865,623.76
3、Decreased at this period		2,662,023.66	878,660.53	236,734.71	16,591.80		3,794,010.70
(1) Disposal or scrap		2,662,023.66	878,660.53	236,734.71	16,591.80		3,794,010.70
4、Closing balance	271,582,729.60	18,597,264.98	6,032,579.79	12,371,209.74	4,251,541.51	3,056,469.95	315,891,795.57
II. Accumulateddepreciation							
1、Opening balance	132,881,916.51	15,965,798.06	4,147,352.29	8,917,145.97	3,716,774.85	2,765,531.04	168,394,518.72
2、Increased at this period	7,157,932.95	308,993.00	470,754.42	523,135.79	81,912.29	9,556.18	8,552,284.63
(1) Provision	7,157,932.95	308,993.00	470,754.42	523,135.79	81,912.29	9,556.18	8,552,284.63
3、Decreased at this period		2,567,216.26	343,872.55	206,440.48	3,884.40		3,121,413.69
(1) Disposal or scrap		2,567,216.26	343,872.55	206,440.48	3,884.40		3,121,413.69
4、Closing balance	140,039,849.46	13,707,574.80	4,274,234.16	9,233,841.28	3,794,802.74	2,775,087.22	173,825,389.66

Items	House and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Office equipment and others	Self-owned housing decoration	Total
III. Impairment allowance							
1、Opening balance	3,555,385.70	1,646,060.95	6,165.00	17,984.71	69,562.98	281,382.73	5,576,542.07
2、Increased at this period							
(1) Provision							
3、Decreased at this period		93,701.16					93,701.16
(1) Disposal or scrap		93,701.16					93,701.16
4、Closing balance	3,555,385.70	1,552,359.79	6,165.00	17,984.71	69,562.98	281,382.73	5,482,840.91
IV.Book value							
1、Closing book value	127,987,494.44	3,337,330.39	1,752,180.63	3,119,383.75	387,175.79		136,583,565.00
2、Opening book value	135,145,427.39	2,591,329.63	2,078,964.52	2,630,910.60	392,933.40	9,556.18	142,849,121.72

Note: Current depreciation is RMB 8,552,284.63. There is no fixed assets transferred from construction in progress in current period.

## (2) Temporary idle fixed assets

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

## (3) Fixed assets with un-completed property certificates

Items	Book Value	Reasons for un-completed certificates
Shuibei Zhongtian building	1,341,371.70	Reason left over by history
Hostel at North Remin Road	5,902.41	Reason left over by history
Songquan apartment (Mix)	53,144.66	Reason left over by history
Tellus building underground park	11,558,599.16	Unable to handle real estate license
Tellus building conversion layer	2,098,184.84	Unable to handle real estate license
Warehouse of trading department	107,784.13	Reason left over by history
Warehouse	1,059,512.29	Reason left over by history
The 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> factory building, 3 to 5 layers	4,802,298.16	Reason left over by history
Yongtong building	45,353,768.47	Reason left over by history
The 16th apartment house, Taohua Yuan	1,987,452.24	Reason left over by history
Automobile building	20,232,217.09	Reason left over by history
Floor 1 of business housing, Baoan	1,226,027.97	Reason left over by history
Zhonghe building	5,797,159.53	Reason left over by history
Total	95,623,422.65	

## (4) The fixed assets with restricted ownership

Details of the fixed assets with restricted ownership refer to Note VI-46.

## 14、Project under construction

### (1) Project under construction

Items	Closing balance			Opening balance		
	Book balance	Provision for devaluation	Book value	Book balance	Provision for devaluation	Book value
Shuibei Jewelry Building	279,056,650.35		279,056,650.35	122,551,469.97		122,551,469.97
Total	279,056,650.35		279,056,650.35	122,551,469.97		122,551,469.97

## (2) Changes of significant construction in progress

Name	Budget	Opening balance	Increase at this period	Transferred to fixed assets	Other decrease	Closing balance
Shuibei Jewelry Building	41364 million	122,551,469.97	156,505,180.38			279,056,650.35
Total		122,551,469.97	156,505,180.38			279,056,650.35

(continued)

Name	Proportion(%)	Progress	Capitalization of interest	Including: Current amount of capitalization of interest	Rate of capitalization of interest (%)	Source of funds
Shuibei Jewelry Building	67.46%		14,125,416.86	3,120,270.97	1.58	Self-financing
Total	67.46%		14,125,416.86	3,120,270.97		

## (3) Provision for devaluation for current year.

There is no provision for devaluation for construction in progress at the end of December 31<sup>st</sup>, 2015.

**15、Intangible assets**

## (1) List of intangible assets

Items	Land use right	Trademarks	Software	Total
1. Original book value				
1、Opening balance	54,284,923.80	95,800.00	659,685.00	55,040,408.80
2、Increased at this period			277,500.00	277,500.00
(1) Purchase			277,500.00	277,500.00
3、Decreased at this period				
(1) Disposal				
4、Closing balance	54,284,923.80	95,800.00	937,185.00	55,317,908.80



Items	Land use right	Trademarks	Software	Total
II. Accumulated amortization				
1、 Opening balance	743,629.09	49,764.95	322,780.80	1,116,174.84
2、 Increased at this period	1,115,443.67	9,579.96	91,436.96	1,216,460.59
(1)Provision	1,115,443.67	9,579.96	91,436.96	1,216,460.59
3、 Decreased at this period				
(1) Disposal				
4、 Closing balance	1,859,072.76	59,344.91	414,217.76	2,332,635.43
III.Impairment allowance				
IV.Book value				
1. Closing book value	52,425,851.04	36,455.09	522,967.24	52,985,273.37
2. Opening book value	53,541,294.71	46,035.05	336,904.20	53,924,233.96

Note: The current year amortization is RMB 1,216,460.59.

(2) The intangible assets with restricted ownership

Details of the intangible assets with restricted ownership refer to Note VI-47.

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

## 16、Long term amortize expenses

Items	Opening balance	Increase in this period	Amortized expenses	Other decrease	Closing balance
Renovation fee	594,606.54	1,191,767.64	287,367.94		1,499,006.24
Insurance expense of bank deposit and loan commitment fee	311,264.47		311,264.47		
Total	905,871.01	1,191,767.64	598,632.41		1,499,006.24

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

(1) Details of the recognized deferred income tax assets

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets

Allowances for assets impairment	78,579,491.60	19,644,872.90	78,585,491.56	19,646,372.90
Equity investment variance	14,844,139.32	3,711,034.83	14,844,139.31	3,711,034.83
Employee benefits (Defined-Benefit Plan)			4,598,254.14	1,149,563.54
Unrealized Profit on Transactions with associate Companies	4,530,142.32	1,132,535.58	4,685,911.12	1,171,477.78
Total	97,953,773.24	24,488,443.31	102,713,796.13	25,678,449.05

## (2) Details of the recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	1,912,340.48	478,085.12	2,893,836.72	723,459.18
Total	1,912,340.48	478,085.12	2,893,836.72	723,459.18

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

Items	Closing balance	Opening balance
Deductible temporary difference	102,739,875.16	90,526,640.12
Deductible loss	41,176,065.43	60,405,723.91
Total	143,915,940.59	150,932,364.03

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

Year	Closing balance	Opening balance	Remark
2015		8,294,521.87	
2016	2,656,114.39	6,106,031.92	
2017	1,543,641.99	8,117,981.88	
2018	15,520,231.84	15,579,607.94	
2019	19,656,438.96	22,307,580.30	
2020	1,799,638.25		

Total	41,176,065.43	60,405,723.91
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## 18、Other non-current assets

Items	Closing balance	Opening balance
Prepayments for equipments	1,800,000.00	
Others	100,000.00	
Total	1,900,000.00	

## 19、Provision for asset impairment

Items	Opening balance	Increased	Decreased		Closing balance
			Reversal	Resell	
I.Bad debt provision	103,420,886.68	953,444.41	31,980.00		104,342,351.09
II. Provision for impairment of held-to-maturity investments	20,000.00				20,000.00
III.Provision for decline in value of inventories	28,690,156.29	759,921.00	28,815.67	464,865.00	28,956,396.62
IV.Provision for impairment of long-term investments	23,258,849.21	41,556.83			23,300,406.04
V.Provision for impairment of fixed assets	5,576,542.07		93,701.16		5,482,840.91
VI.Provision for impairment of available-for-sale financial assets	8,126,240.00				8,126,240.00
Total	169,092,674.25	1,754,922.24	154,496.83	464,865.00	170,228,234.66

## 20、Short-term loan

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

Items	Closing balance	Opening balance
Pledge Loan		
Mortgage Loan		44,000,000.00
Loan on Guarantee		10,000,000.00
Credit Loan		20,719,672.00
Total		74,719,672.00

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

**21、Accounts payable****(1) Accounts payable**

Items	Closing balance	Opening balance
Accounts payable	27,417,068.61	22,340,922.90
Total	27,417,068.61	22,340,922.90

**(2) Significant accounts payable which aged over one year**

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

**22、Advance accounts****(1) Advance accounts**

Aging	Closing balance	Opening balance
Within 1 year	10,729,385.35	9,242,967.59
1 to 2 years		34,657.64
2 to 3 years	29,881.35	
Over 3 years	701,540.96	701,541.66
Total	11,460,807.66	9,979,166.89

Note: The balance of advance account over 3 years mainly caused by the amount of the subsidiary (Shenzhen Xinyongtong Automobile Inspection Equipment Co.,Ltd.). This amount do not transferred to revenue as the client did not check upon delivery.

**23、Employee benefits payable****(1) Details of employee benefits payable**

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Short-term remuneration	16,624,460.11	62,182,534.59	60,575,469.79	18,231,524.91
II. Post-employment benefit-defined benefit plans	539,724.92	8,022,081.88	7,153,592.90	1,408,213.90
III. Severance welfares		1,363,371.34	1,363,371.34	
IV. Other benefits due within 1 year				
Total	17,164,185.03	71,567,987.81	69,092,434.03	19,639,738.81

## (2) Details of short-term remuneration

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Salary, bonus, allowance and subsidies	14,178,624.98	52,999,196.61	51,327,281.70	15,850,539.89
II. Employee welfare		2,174,080.39	2,174,080.39	
III. Social insurance premium	10,384.19	2,448,104.39	2,448,176.32	10,312.26
Including: Medical insurance premium	9,312.71	2,161,057.30	2,161,129.23	9,240.78
Industries insurance premium	476.16	80,438.63	80,438.63	476.16
Maternity insurance premium	595.32	206,608.46	206,608.46	595.32
IV. Housing fund	2,154,037.42	2,950,523.25	2,967,568.51	2,136,992.16
V. Union expenses and employee education expenditure	281,413.52	1,408,871.95	1,456,604.87	233,680.60
VI. Short-term paid absence				
VII. Short-term profit share plan				
VIII. Others		201,758.00	201,758.00	
Total	16,624,460.11	62,182,534.59	60,575,469.79	18,231,524.91

## (3) The details of defined contribution plans

Items	Opening balance	Increased in this period	Decreased in this period	Closing balance
I. Basic endowment insurance premium	136,412.87	6,250,802.35	6,132,776.85	254,438.37
II. Unemployment insurance premium	1,055.26	242,206.51	241,936.92	1,324.85
III. Company annuity payment	402,256.79	1,529,073.02	778,879.13	1,152,450.68
Total	539,724.92	8,022,081.88	7,153,592.90	1,408,213.90

## 24、Taxes and fees payable

Items	Closing balance	Opening balance
VAT	176,318.69	243,780.42
Corporate income tax	974,988.75	835,558.77
Enterprise income tax	1,969,038.78	1,259,693.58
Individual income tax	174,434.79	79,246.30
Urban construction and maintenance tax	159,154.08	106,786.05

Items	Closing balance	Opening balance
Property tax	864,954.64	858,788.79
Land VAT	5,362,682.64	5,362,442.05
Land tax	177,330.86	172,536.12
Education surcharge	155,960.23	118,873.26
Others	29,037.80	17,387.93
Total	10,043,901.26	9,055,093.27

## 25、Other payables

### (1) Other payables by categories

Items	Closing balance	Opening balance
Related parties transactions and loan、interest	135,662,323.98	65,230,936.82
Deposit、security bond	16,313,694.07	16,165,861.14
Others	41,821,768.63	33,136,283.69
Total	193,797,786.68	114,533,081.65

### (2) Significant other payables which aged over one year

Items	Closing balance	The reason for not repaid or carried forward
Shenzhen Tefa Group Co.,Ltd.	66,810,211.32	There are no expire date settled by the holding company
Total	66,810,211.32	

## 26、Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year (NoteVI-27)		120,700,000.00
Total		120,700,000.00

## 27、Long-term borrowings

Items	Closing balance	Opening balance
Mortgaged loan		226,297,550.55
Credit loan		73,000,000.00
Less: Non-current liabilities due within one year (NoteVI-26)		120,700,000.00
Total		178,597,550.55

**28、Long-term Payables**

Items	Closing balance	Opening balance
Employee housing deposit	3,908,848.40	3,908,848.40
Technical innovation	11,311.96	11,311.96
Dongfeng Automobile Co., Ltd.	10,052,619.31	9,737,330.58
Total	13,972,779.67	13,657,490.94

**29、Long-term employee benefits payable****(1) Details of long-term employee benefits payable**

Items	Closing balance	Opening balance
I. Post-employment benefit-defined benefit plans		9,953,557.75
II. Severance welfares		
III. Others		
Total		9,953,557.75

**(2) Changes of defined benefit plans****① Present value of defined benefit obligation**

Items	Current period	Previous period
I. Opening balance	9,953,557.75	10,297,200.34
II. Cost of defined benefit plans calculated in gains and losses of current period	-9,346,642.22	561,197.43
1、Service cost of current period		
2、Service cost of the past		
3、Gains (Losses present as“—”)	-9,722,688.86	
4、Net interest	376,046.64	561,197.43
III. Cost of defined benefit plans calculated in other comprehensive income		
1、Actuarial gain (Losses present as“—”)		
IV. Other changes	606,915.53	904,840.02
1、Consideration payment on settlements		
2、Paid welfares	606,915.53	904,840.02
V. Closing balance		9,953,557.75

Note: Service cost of the past which is RMB -9,722,688.86 caused by the Company canceled the retiree benefits plan at Oct. 2015 and leads to the decrease of present value of defined benefit obligation.

### 30、Other non-current liabilities

Items	Closing balance	Opening balance
Deferred income *	13,269,356.04	32,570,237.55
Total	13,269,356.04	32,570,237.55

Note \*: Deferred income of the Company is rent received in advance of Shuibei Jewelry Building, the Company recognized amortized cost use effective interest method.

### 31、Share capital

Items	Opening balance	Changes for the period (+ -)					Closing balance
		New issue	Bonus issue	Capitalization of public reserve	Other	Subtotal	
Restricted tradable shares							
1.State-owned shares							
2. State-owned legal person shares	14,587,056.00	6,000,000.00				6,000,000.00	20,587,056.00
3.Other domestic-owned shares							
Including: Domestic legalperson wnership		71,000,000.00				71,000,000.00	71,000,000.00
Domestic nature person							
4. Foreign-owned shares							
Including: Foreign legalperson ownership							
Foreign nature person							
Total restricted tradable shares	14,587,056.00	77,000,000.00				77,000,000.00	91,587,056.00
II 、Tradable shares							
1. Ordinary shares	179,294,544.00						179,294,544.00



Items	Opening balance	Changes for the period ( + - )					Closing balance
		New issue	Bonus issue	Capitalization of public reserve	Other	Subtotal	
denominated in RMB							
2. Foreign-owned shares listed domestically	26,400,000.00						26,400,000.00
3. Foreign-owned shares listed overseas							
4.Others							
Total tradable shares	205,694,544.00						205,694,544.00
III、 Total shares	220,281,600.00	77,000,000.00				77,000,000.00	297,281,600.00

Note: Ruihua Certified Public Accountants had verified the share capital and issued NO.

【2015】48330003 Capital Verification Report. The Company changed in registration at 16<sup>th</sup>, July, 2015 approved by Shenzhen Industrial and Commercial Administration Bureau.

### 32、Capital reserve

Items	Opening balance	Increased in this period	Decreased in this period	Closing balance
Capital premium	3,024,773.35	556,520,000.00		559,544,773.35
Other reserves	4,647,832.16			4,647,832.16
Total	7,672,605.51	556,520,000.00		564,192,605.51

Note: According to the 19<sup>th</sup> Special Meeting of the 7<sup>th</sup> Board Meeting at 21<sup>st</sup>, April, 2014 and the 4<sup>th</sup> Extraordinary Shareholders Meeting at 3<sup>rd</sup>, June, 2014, the Company private offered less than RMB 77,000,000 ordinary shares ( A-share), which is one yuan per share to Shenzhen Tefa Group Co.,Ltd and Shenzhen Yuanzhifuhai Jewelry Investment Co.,Ltd. The Company raised RMB 646,800,000.00, and the practical placement is RMB 633,520,000.00 after deducting issue expenses RMB 13,280,000.00. The equity capital increased RMB 77,000,000.00, and the capital stock premium RMB 556,520,000.00 has been included in capital reserve.

### 33、Surplus reserve

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

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

### 34、Undistributed profit

Items	Current period	Previous period
Before adjustment: Undistributed profits at the end of prior year	-39,026,529.03	-49,371,746.70
Adjustment: Total undistributed profits at beginning of year (Increase +, decrease -)		
After adjustment: Undistributed profits at beginning of year	-39,026,529.03	-49,371,746.70
Add: Net profit attributable to shareholders of the parent	42,768,789.52	10,345,217.67
Less: Appropriation to statutory surplus reserve		
Appropriation to discretionary surplus reserve		
Appropriation to common risk provision		
Common stock dividend payable		
Common stock dividends converted to shares		
Retained profits at the period end	3,742,260.49	-39,026,529.03

### 35、Operating Revenues and Operating Costs

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	290,705,488.37	213,408,631.14	451,551,057.76	386,992,333.83
Other operating activities	13,021,302.20	4,583,585.06	13,436,470.04	2,431,285.86
Total	303,726,790.57	217,992,216.20	464,987,527.80	389,423,619.69

### 36、Business taxes and surcharges

Items	Amount of current period	Amount of previous period
Business tax	5,041,179.59	4,112,942.80
City construction and maintenance tax	680,017.76	561,276.79
Education surcharges	468,211.75	371,960.24
Total	6,189,409.10	5,046,179.83

Note: Details of business taxes and surcharges please refer to Note V.Taxes.

### 37、Selling expenses

Items	Current period	Previous period
Employment benefits	9,848,996.50	12,209,650.35
Advertisement	594,035.30	1,092,285.31
Depreciation	875,473.68	1,695,974.26
Office expenses	994,402.01	952,404.94
Water and electricity fee	471,404.57	463,362.44
Goods freight	318,567.35	662,833.08
Others	1,615,997.87	3,996,866.60
Total	14,718,877.28	21,073,376.98

### 38、Administration expenses

Items	Current period	Previous period
Staff cost	16,504,340.76	26,023,173.35
Taxes and fees	3,380,791.12	3,025,817.42
Office expenses	2,209,367.65	2,295,086.63
Travel expenses	1,071,000.26	1,297,527.15
Entertainment expenses	886,305.20	1,271,585.36
Depreciation and amortization	1,820,282.48	1,628,132.01
Consultation and service fee	2,331,090.87	2,096,975.71
Goods freight	1,478,961.56	1,678,914.59
Others	3,199,729.00	4,192,135.93
Total	32,881,868.90	43,509,348.15

### 39、Financial expenses

Items	Current period	Previous period
Interest expenses	10,003,421.69	26,883,526.28
Less: Interest income	3,487,230.40	871,464.83
Less: Interest capitalized	3,120,270.97	9,025,159.20
Exchange difference	134,292.88	6,612.01
Others	813,475.63	777,623.18
Total	4,343,688.83	17,771,137.44

**40、Loss of assets impairment**

Items	Current period	Previous period
Loss of bad debts	921,464.41	4,975,785.80
Loss of inventory valuation	731,105.33	
Loss of long term equity investment valuation	41,556.83	
Total	1,694,126.57	4,975,785.80

**41、Investment income**

Items	Current period	Previous period
Income generated from long-term equity investments measured by equity method	15,252,012.32	24,775,664.82
Investment income from holding trading financial assets		84,270.40
Investment income from holding financial products	5,740,301.35	
Investment income from disposal trading financial assets		1,141,857.35
Total	20,992,313.67	26,001,792.57

**42、Non-operating income**

Items	Current period	Previous period	Recorded in the amount of thenon-recurring gains and losses
Gains on non-current asset disposals	39,278.33	197,088.80	39,278.33
Including: Gains on fixed asset disposals	39,278.33	197,088.80	39,278.33
Government grants	371,850.00		371,850.00
Others	122,547.53	767,937.93	122,547.53
Total	533,675.86	965,026.73	533,675.86

**Including: Government grants accounted into current profit and loss**

Items	Current period	Previous period	Relevant to assets/gains and losses
Fund to electric lift update	271,850.00		Gains and losses
Luohu Economic Promotion Corporation Integrity Financial Assistance	50,000.00		Gains and losses
Luohu Economic Promotion Corporation Financial Support	50,000.00		Gains and losses

Items	Current period	Previous period	Revelent to assets/gains and losses
Total	371,850.00		

### 43、Non-Operation expenses

Items	Current period	Previous period	Recorded in the amount of the non-recurring gains and losses
Loss on non- recurring asset disposal	73,623.42	48,602.31	73,623.42
Including: Loss on fixed asset disposal	73,623.42	48,602.31	73,623.42
Others	65,873.64	80,918.38	65,873.64
Total	139,497.06	129,520.69	139,497.06

### 44、Income tax expenses

#### (1) Income tax expenses

Items	Amount of current period	Amount of previous period
Current income tax expense	3,611,105.39	1,963,886.73
Deferred income tax expense	944,631.68	-175,710.96
Adjustment of previous income tax	-684.46	-329,005.41
Total	4,555,052.61	1,459,170.36

#### (2) The process of calculating the income tax based on accounting profits

Items	Amount of current period
Consolidated profit this year	47,293,096.16
Income tax calculated at legal or applicable tax rate	11,823,274.03
Impact of various tax rates applicable to subsidiaries	-13,751.08
Adjustment of impact on the income tax in the previous period	-684.46
Impact of non-taxable income	
Impact of non-deductible cost, expense and loss	-4,425,851.40
Impact of deductible losses deferred income tax assets unconfirmed in the previous use period	-362,867.34
Impact of the deductible temporary differences or deductible loss of unconfirmed deferred tax assets of this year.	-2,465,067.15
Changes of the deferred tax assets/liability caused by the adjustment of tax rate	

Income taxes	4,555,052.61
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#### 45、Notes to items in the cash flow statements

##### (1) Other cash receipts relating to operating activities

Items	Current period	Previous period
Cash received from business operation	13,705,340.52	2,399,896.01
Cash pledge and security deposits	453,503.84	2,633,396.42
Interest income	3,138,397.07	871,464.83
Total	17,297,241.43	5,904,757.26

##### (2) Other cash payments relating to operating activities

Items	Current period	Previous period
Cash paid to general and administrative expenses	24,541,157.90	29,169,987.58
Cash paid to operating expenses and others	11,009,649.87	4,855,070.02
Total	35,550,807.77	34,025,057.60

##### (3) Other cash receipts relating to financing activities

Items	Current period	Previous period
Deposit for bank acceptance		6,732,343.46
Total		6,732,343.46

##### (4) Other cash payment relating to financing activities

Items	Current period	Previous period
Cash paid to financing expenses	21,828,274.26	1,350,000.00
Total	21,828,274.26	1,350,000.00

#### 46、Supplementary information to the cash flow statement

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

Items	Current period	Previous period
<b>1、Adjusting net profit to cash flow from operating activities</b>		
Net profit	42,738,043.55	8,566,208.16
Add: Impairment loss provision of assets	1,694,126.57	4,910,940.22
Depreciation of fixed assets, oil and gas assets and consumable biological	13,164,743.45	15,030,431.56

Items	Current period	Previous period
assets		
Amortization of intangible assets	101,016.92	80,800.79
Amortization of Long-term deferred expenses	612,899.02	436,876.02
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets (gain as in "-")	34,345.09	-148,486.49
Loss on scrap of fixed assets (gain as in "-")		
Loss on fair value changes (gain as in "-")		
Financial cost (gain as in "-")	7,017,443.60	17,865,127.34
Loss on investment (gain as in "-")	-20,992,313.67	-26,001,792.57
Decreased in deferred income tax assets (increase as in "-")	1,190,005.74	70,275.84
Increased of deferred income tax liabilities (increase as in "-")	-245,374.06	-524,628.68
Decreased of inventories (increase as in "-")	31,791,449.24	14,682,185.10
Decreased of operating receivables (increase as in "-")	2,231,233.00	3,165,569.37
Increased of operating Payable (decrease as in "-")	1,345,008.88	-31,918,799.81
Others		
Net cash flows from operating activities	80,682,627.33	6,214,706.85
<b>2、Significant investment and financing activities that without cash flows:</b>		
Debt-to-capital conversion		
Convertible loan due within 1 year		
Fixed assets acquired under financial lease		
<b>3、Movement of cash and cash equivalents:</b>		
Ending balance of cash	99,184,710.93	80,045,669.65
Less: Beginning balance of cash equivalents	80,045,669.65	63,166,448.10
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	19,139,041.28	16,879,221.55

## (2) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	99,184,710.93	80,045,669.65
Including: Cash on hand	75,003.23	84,813.57
Bank deposits	99,109,707.70	79,960,856.08
Other monetary funds		
II. Cash equivalents		
Including: Investments in debt securities due within three months		
III. Balance of cash and cash equivalents at the period end	99,184,710.93	80,045,669.65
Including: Restricted cash and cash equivalents of Parent company or subsidiaries in the Group		

Note: Cash and cash equivalents belong to the company or its subsidiaries were not included in this sheet.

#### 47、Ownership or use-right restricted assets

Items	Book value at the end of thisperiod	Reason of restriction
Monetary asstes	60,000,000.00	Note VI-1
investment real estate	49,190,553.82	
Fixed assets	6,946,552.76	
Intangible assets	52,425,851.04	
Long-term equity investment	72,747,568.25	Note IX-5(2)
Total	241,310,525.87	

Note: 1. In August 28<sup>th</sup>, 2014, the Company gain RMB 211 million of credit amount from China CITIC Bank Jingtian Branch by signing a comprehensive credit contract Shen Yin Jingtian Zong Zi No.007 (2014). Meanwhile, the Company signed two maximum mortgage contracts Shen Yin Jingtian Di Zi No.008 (2014), and Shen Yin Jingtian Di Zi No.007 (2014). The mortgaged assets are assets with book value RMB 50,293,453.68 of Shenzhen Tefa Tellus Real Estate Co.,Ltd., and assets with book value RMB 117,706,546.32 of the Company.

In August 28<sup>th</sup>, 2014, the Company borrowed RMB 157.5 million from China CITIC Bank, Shen Yin Jingtian Dai Zi No.0012 (2014), with term limitation from August 28<sup>th</sup>, 2014 to August 28<sup>th</sup>, 2017. Repayment rule is monthly interest repayment, 8% of principle should be repaid every half year and pay off the rest before end of the contract date. At the end of



this period, the loan has been repaid but the assets are still mortgaged because of the loan limit.

2. In June 24<sup>th</sup>, 2014, the subsidiary Shenzhen Zhongtian Industrial Co.,Ltd. borrowed RMB 300 million from the Construction Bank Shuibei Jewelry Branch by signing a mortgage contract, Di Jie 2014 Gu 250 Tianbei, with term limitation from June 24<sup>th</sup>, 2014 to June 23<sup>rd</sup>, 2024. The mortgaged assets island of Tellus Shuibei Jewelry Building project, which certificated as Shenfang Di Zi No.2000609764. The Company offering joint liability for Shenzhen Zhongtian Industrial Co.,Ltd. with contract Bao Jie 2014 Gu 250 Tianbei. At the end of this period, the loan has been repaid but the assets are still mortgaged because of the loan limit.

3. In August 28<sup>th</sup>, 2014, the non-wholly owned subsidiary Shenzhen Huari Toyota Automobile sales and services Co.,Ltd. signed credit contracts with China Guangfa Bank, Shenzhen Branch, the amount is RMB 49,000,000.00 and the time limits is 3 months. The other subsidiary Shenzhen Tefa Huari Automobile Co.,Ltd. made assurance about the contracts and offered Huari Building basement, 1<sup>st</sup> and 2<sup>nd</sup> floor, 3<sup>rd</sup> to 7<sup>th</sup> floor as guaranty. Up to December 31<sup>st</sup>, 2015, the loan has been returned, but the assets are still under pledged because of the debts limit are still valid.

#### 48、Foreign currency monetary items

##### (1) Foreign currency monetary items

Items	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary funds			
Including: Cash-USD	856.00	6.49	5,558.52
Cash-UKD	534.00	0.84	447.37

#### VII、Change of scope of consolidation

##### 1、Business combination not under the same control

No change of business combination not under the same control in the reporting period.

##### 2、Business combination under the same control

No change of business combination under the same control in the reporting period.

##### 3、Counter purchase

There is no counter purchase in the reporting period.

##### 4、Disposal of subsidiaries

There is no disposal of subsidiaries in the reporting period.

## VIII、Equity in other entities

### 1、Equity in subsidiary

#### (1) The structure of the enterprise group

Names	Main operating place	Registration place	Nature of business	Proportion of shareholding (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Tellus Xinyongtong Automobile Development Co.,Ltd.	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Tefa Tellus Property Management Co., Ltd.	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Tefa Tellus Real Estate Co.,Ltd.	Shenzhen	Shenzhen	Manufacture	100.00		Establish/Investment
Shenzhen Tellus Real Estate Exchange Co., Ltd	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Xinyongtong Automobile Inspection Equipment Co.,Ltd.	Shenzhen	Shenzhen	Service	51.00		Establish/Investment
Shenzhen Dongchang Yongtong Automobile Inspection Co.,Ltd.	Shenzhen	Shenzhen	Service		95.00	Establish/Investment
Shenzhen Xinyongtong Dongxiao Automobile Inspection Equipment Co.,Ltd.	Shenzhen	Shenzhen	Service		95.00	Establish/Investment
Shenzhen Baoan Shiquan Industrial Co.,Ltd.	Shenzhen	Shenzhen	Business		100.00	Establish/Investment
Shenzhen Automobile Industry and Trading Co., Ltd.	Shenzhen	Shenzhen	Business	100.00		Establish/Investment
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	Shenzhen	Shenzhen	Service	60.00		Establish/Investment
Shenzhen Zhongtian Industrial Co.,Ltd.	Shenzhen	Shenzhen	Service	100.00		Establish/Investment
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	Shenzhen	Shenzhen	Business	60.00		Establish/Investment
Shenzhen Huari Anxin Automobile Inspection Equipment Co.,Ltd.	Shenzhen	Shenzhen	Service		60.00	Establish/Investment

Names	Main operating place	Registration place	Nature of business	Proportion of shareholding (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Automobile Industry supply and marketing Co.,Ltd.	Shenzhen	Shenzhen	Service		100.00	Establish/Investment
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*	Shenzhen	Shenzhen	Ceramic technology	80.00		Establish/Investment
Shenzhen Nanfang Automobile Repairing center *	Shenzhen	Shenzhen	Automobile repairment		100.00	Establish/Investment

Note: \*The operating period of Shenzhen Hanli Hi-technology Ceramics Co., Ltd. was from September 9<sup>th</sup>, 1993 to September 21<sup>st</sup>, 1998, and the operating period of Shenzhen Nanfang Automobile Repairing center was from July 12<sup>th</sup>, 1994 to July 11<sup>th</sup>. For stop operating and did not participate annual inspections, the industry and commerce registration of these two companies were revoked by the administrative department of industry and commerce. Therefore, these two companies do not included in the scope of consolidation, and the book value of net investment is zero.

## (2) Important non wholly owned subsidiary

Names of the subsidiary	Shareholding ratio of minority shareholders (%)	Gains and losses attributable to the minority shareholders	Dividend and profit paid to minority shareholders	Closing balance of minority equity
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	40%	623,838.22		-2,763,604.60
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	40%	-1,109,549.44		12,210,667.26

## (3) The main financial information of important non wholly owned subsidiary

Names of the subsidiary	Closing balance					
	Current assets	Fixed assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	36,700,757.39	1,308,446.07	38,009,203.46	44,918,214.96		44,918,214.96

Names of the subsidiary	Closing balance					
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	39,761,100.57	33,740,985.59	73,502,086.16	42,497,332.90	478,085.12	42,975,418.02

(Continued)

Names of the subsidiary	Opening balance					
	Current assets	Fixed assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	66,234,803.90	1,488,146.91	67,722,950.81	76,191,557.87		76,191,557.87
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	39,310,343.44	35,655,774.22	74,966,117.66	40,830,228.13	835,347.77	41,665,575.90

Names of the subsidiary	Current period				Previous period			
	Operation revenue	Net profit	Comprehensive income	Operating cash flow	Operation revenue	Net profit	Comprehensive income	Operating cash flow
Shenzhen Huari Toyota Automobile sales and services Co.,Ltd.	185,704,704.44	1,559,595.56		41,524,021.39	351,004,734.69	4,115,420.93		-5,873,682.22
Shenzhen Tefa Huari Automobile Enterprise	32,837,537.55	-2,773,873.62		298,968.38	36,919,863.80	-8,819,319.53		2,262,094.40

Names of the Co.,Ltd.	Current period				Previous period			

(4) The limitation of using Group's assets and repaying Group's debts.

There is no significant limitation of using Group's assets and repaying Group's debts.

## 2、The transaction of holding equity changed in a subsidiary without a change in control

There is no transaction of holding equity changed in a subsidiary without a change in control.

## 3、The equity in joint venture or associated company

### (1) The significant joint venture or associated enterprise

Names	Main operating place	Registration place	Nature of business	Holding proportion (%)		Accounting treatment of investment in joint venture/associated enterprise
				Directly	Indirectly	
Associated company:						
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen	Shenzhen	Mercedes-Benz sales、repairment	35.00		Equity method
Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen	Shenzhen	Automobile production、repairment		25.00	Equity method
Joint venture:						
Shenzhen Tellus Jimeng investment Co.,Ltd.	Shenzhen	Shenzhen	Industrial investment、property management、leasing	50.00		Equity method

### (2) Key financial information of significant associated company

Items	Closing balance/Current period		Opening balance/Previous period	
	Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.
Current assets	284,555,030.00	349,579,989.46	312,304,427.00	455,215,900.97
Fixed assets	25,699,486.00	194,895,619.83	35,303,675.00	197,175,553.60
Total assets	310,254,516.00	544,475,609.29	347,608,102.00	652,391,454.57

Items	Closing balance/Current period		Opening balance/Previous period	
	Shenzhen Ren Fu-Tellus Automotive Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen Ren Fu-Tellus Automotive Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.
Current liabilities	102,404,321.00	262,389,706.82	127,000,566.00	439,039,200.65
Non-current liabilities		75,538,051.99		57,687,321.71
Total liabilities	102,404,321.00	337,927,758.81	127,000,566.00	496,726,522.36
Equity of minority shareholders		-5,288,652.50		-5,070,773.24
Shareholders' equity of the company	207,850,195.00	211,836,502.98	220,607,536.00	160,735,705.45
Net assets calculated by shareholding proportion	72,747,568.25	52,959,125.74	77,212,637.60	40,183,926.36
Adjustment				
—Goodwill				
—Unrealized profit of internal transaction				
—Others				
The book value of investment in associated company	72,747,568.25	52,959,125.74	77,212,637.60	40,183,926.36
The fair value of the equity investment in associated company which have open quotation in market				
Operating revenue	876,992,496.00	457,918,003.79	1,422,380,499.00	511,498,366.88
Net profit	5,242,659.00	50,882,918.27	39,506,811.00	44,937,693.08
Net profit gain from the termination of operation				

Items	Closing balance/Current period		Opening balance/Previous period	
	Shenzhen Ren Fu-Tellus Automotive Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.	Shenzhen Ren Fu-Tellus Automotive Service Co., Ltd.	Shenzhen Dongfeng Automobile Co., Ltd.
Other comprehensive income				
Total comprehensive income	5,242,659.00	50,882,918.27	39,506,811.00	44,937,693.08
Dividends received from associated company this period	6,300,000.00		4,900,000.00	

### (3) Key financial information of significant joint ventures

Items	Shenzhen Tellus Jimeng investment Co., Ltd.	
	Closing balance/Current period	Opening balance/Previous period
Current assets	17,734,574.30	28,159,623.29
Including: Cash & Cash Equivalents	13,645,857.23	19,987,349.61
Fixed assets	297,377,588.89	199,171,630.91
Total assets	315,112,163.19	227,331,254.20
Current liabilities	10,642,771.76	17,815,968.34
Non-current liabilities	184,870,000.00	90,080,000.00
Total liabilities	195,512,771.76	107,895,968.34
Equity of minority shareholders		
Shareholders' equity of the Company	119,599,391.43	119,435,285.86
Net assets calculated by shareholding proportion	59,799,695.73	59,717,642.94
Adjustment		
—Goodwill		
—Unrealized profit of internal transaction		
—Others		

Items	Shenzhen Tellus Jimeng investment Co.,Ltd.	
	Closing balance/Current period	Opening balance/Previous period
Book value of investment in joint ventures	59,799,695.73	59,717,642.94
Fair value of the equity investment in joint ventures which have open quotation in market		
Operating revenue		78,823.60
Financial expense	-271,705.38	-18,341.13
Income tax		
Net profit	164,105.57	90,754.03
Net profit gain from the termination of operation		
Other comprehensive income		
Total comprehensive income	164,105.57	90,754.03
Dividends received from joint ventures this period		

#### (4) Other financial information of joint ventures and associated enterprises

Items	Closing balance/Current period	Opening balance/Previous period
Joint ventures:		
Total book value of investment	9,958,144.84	9,313,071.40
Total amount of the pro rata calculation of the following items		
—Net profit	489,304.64	231,688.57
—Other Comprehensive income		
—Total comprehensive income	489,304.64	231,688.57
Associated enterprises:		
Total book value of investment	24,716,186.73	24,842,987.50
Total amount of the pro rata calculation		



Items	Closing balance/Current period	Opening balance/Previous period
of the following items		
—Net profit	-85,243.94	-447,408.46
—Other Comprehensive income		
—Total comprehensive income	-85,243.94	-447,408.46

#### (5) Excess deficit in joint ventures or associated enterprises

Names	Accumulated unrealized losses at the end of previous period	Unrealized losses at the end of current period	Accumulated unrealized losses at the end of current period
Shenzhen Tellus Automobile Services Chains Co.,Ltd.	95,013.99	2,523.00	97,536.99
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	46,912.77	386,096.34	433,009.11
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd.	213,433.08	219,245.29	432,678.37

#### 4、Significant common operation

There is no significant common operation in this reporting period.

### IX、Related parties and related-party transactions

#### 1、Parent company information

Names	Registered address	Nature	Registered capital	Parent company's shareholding ratio (%)	Parent company's vote ratio (%)
Shenzhen Tefa Group Co.,Ltd.	Shenzhen	Real estate development and management, domestic commerce	258,282 million	51.09	51.09

Note: The final control of the Company is Shenzhen State-owned Assets Supervision and Administration Commission

#### 2、Subsidiaries of the Company

Details refer to the Note VIII-1.

#### 3、Information on the joint ventures and associated enterprises of the Company

Details refer to the Note VI-10.

**4、Other Related parties information**

Names	Relationship to the Company
Shenzhen Tefa Swan Enterprise Co.,Ltd.	Subject to the same party controls
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	Subject to the same party controls
Shenzhen Tefa Real Estate Co.,Ltd.	Subject to the same party controls
Hongkong Yujia Investment Co., Ltd.	Subject to the same party controls
Shenzhen Tellus Real Estate(Yue Yang) Co.,Ltd.	Subject to the same party controls
Shenzhen Tefa Development Center Construction Management Co.,Ltd.	Subject to the same party controls
Shenzhen Tellus Yang Chun Real Estate Co.,Ltd.	Subject to the same party controls
Shenzhen Tellus Real Estate(Long Gang) Co.,Ltd.	Subject to the same party controls

**5、Related transactions.****(1) Lease**

Tellus is the leaser

lessee	Type of lease	Lease income recognized in current period	Lease income recognized in previous period
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	Houses leasing	5,300,000.00	5,150,000.00
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	Houses leasing	401,812.00	412,272.00
Shenzhen Xinyongtong Dongxiao Automobile Service Co., Ltd.	Houses leasing	288,800.00	279,000.00

**(2) Guarantee between related parties**

The Company as guarantor

According to the hypothecation contract signed by the company and the Ren Fu Automotive Management Co.,Ltd.(bellows short for Ren Fu Shenzhen),from the settle date of associated company,Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd. (below short for Ren Fu Tellus) , to the end date of the joint venture contract between Ren Fu Shenzhen and the Company, the Company take 35% responsibility for the loan which total amount less than RMB 100 million, and use 35% equity of the Company in Ren Fu Tellus as counter guarantee pledge to Ren Fu Shenzhen. The applicable scope of this regulation includes: (1) Ren Fu Shenzhen offering entrusted loans to Ren Fu Tellus, ;( 2) Ren Fu Tellus receive bank or business loans under the guarantee of Ren Fu Shenzhen

All other conditions except above the Company as guarantore offering guarantee to

subsidiaries.

### (3) Offering services by employ associated parties

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

Shenzhen Zhongtian Industrial Co., Ltd. and Shenzhen Tefa Development Center Construction Management Co., Ltd. signed the monitor and management contract of Tellus Shuibei Jewelry Building Project in May of 2013. In accordance with the contract, entrusted fee is RMB 5,041.9 thousand. At the end of this reporting period, RMB 3,277.2 thousand of and entrusted fee had been paid.

### (4) Borrowing and lending between related parties

Related parties	Amount	Beginning date	Ending date	Remark
Borrowing:				
Shenzhen Tefa Group Co.,Ltd.	63,000,000.00	2015/12/25	2016/12/24	

### (5) Fees for funds occupation of related parties

Related parties	Content	Amount of current period	Amount of previous period
Borrowing:			
Shenzhen Tefa Group Co.,Ltd.	Fees for funds occupation	4,197,459.17	5,264,520.00
Lending:			
Shenzhen Xing Long Mechanical Models Co.,Ltd.	Fees for funds occupation	76,041.64	76,041.64

### (6) Rewards for the key management personnel

Items	Amount of current period (RMB'0000)	Amount of previous period (RMB'0000)
Rewards for the key management personnel	620.00	612.00

## 6、Receivables and payables of related parties

### (1) Receivables

Names	Closing balance	Opening balance
-------	-----------------	-----------------

	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivables:				
Shenzhen Xinyongtong Automobile Service Co.,Ltd.	927,602.00	927,602.00	927,602.00	440,610.70
Shenzhen Xinyongtong Dongxiao Automobile Parts Sales Co.,Ltd.	680,400.00	680,400.00	680,400.00	323,190.00
Total	1,608,002.00	1,608,002.00	1,608,002.00	763,800.70
Other receivables:				
Shenzhen Tellus Automobile Services Chains Development Co.,Ltd.	1,359,297.00	1,359,297.00	1,359,297.00	1,359,297.00
Shenzhen Xinyongtong Tecnology Co.,Ltd.	116,480.22	58,240.11	116,480.22	47,296.04
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd	519,587.47	519,587.47	517,782.47	517,782.47
Shenzhen Pilot New Chemical Materials Co.,Ltd.	660,790.09	660,790.09	660,790.09	660,790.09
Shenzhen Xing Long Mechanical Models Co.,Ltd.	2,110,336.30	960,116.10	2,034,294.66	922,032.78
Shenzhen Tellus Xinyongtong Automobile Service Co.,Ltd.	114,776.33	114,776.33	114,776.33	114,776.33
Shenzhen Tellus Jimeng investment Co.,Ltd.				
Total	4,881,267.41	3,672,807.10	4,803,420.77	3,621,974.71
Long-term receivables:				
Shenzhen Tellus Automobile Services Chain Co.,Ltd.	2,179,203.68	2,179,203.68	2,179,203.68	2,179,203.68
Total	2,179,203.68	2,179,203.68	2,179,203.68	2,179,203.68

## (2) Payables

Names	Closing balance	Opening balance
Short-term loans:		
Shenzhen Tefa GroupCo.,Ltd.		18,919,672.00
Total		18,919,672.00
Accounts payables:		
Shenzhen Tefa Real Estate Co., Ltd.	6,054,855.46	6,054,855.46
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	45,300.00	45,300.00
Total	6,100,155.46	6,100,155.46
Other payables:		

Names	Closing balance	Opening balance
Shenzhen Tefa Real Estate Co., Ltd.	335,701.34	335,701.34
Hongkong Yujia Investment Co., Ltd.	2,019,296.65	1,887,561.15
Shenzhen Tefa Swan Enterprise Co.,Ltd.	20,703.25	20,703.25
Shenzhen Mechanical Equipment Import and Export Co.,Ltd.	1,455,892.44	1,195,503.24
Shenzhen Tefa Group Co.,Ltd.	129,810,211.32	59,782,492.72
Shenzhen Tellus Real Estate(Long Gang) Co.,Ltd.	1,095,742.50	1,095,742.50
Shenzhen Tellus Yang Chun Real Estate Co.,Ltd.	476,217.49	476,217.49
Shenzhen Xing Long Mechanical Models Co.,Ltd.	78,515.56	78,515.56
Shenzhen Tellus Xinyongtong Technoledge Co., Ltd.	320,000.00	320,000.00
Shenzhen Tellus Xing Investment Co.,Ltd.	25,703.43	14,159.57
Shenzhen Yongtong Xinda Inspection Equipment Co.,Ltd.	24,340.00	24,340.00
Total	135,662,323.98	65,230,936.82
Long-term loans:		
Shenzhen Tefa Group Co.,Ltd.		73,000,000.00
Total		73,000,000.00

## X、Commitment issues

### 1、Significant Commitment issues

#### (1) Capital commitment

Items	Closing balance	Opening balance
Signed but not confirmed in financial report		
—commitment of purchase long-term assets	158,289,230.16	235,913,223.51
Total	158,289,230.16	235,913,223.51

### 2、Contingency

#### (1) Lawsuits

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

RMB 1,051,380, legal fare: RMB 25,160 and executive fare: RMB 5,290, which were all dealt as a loss in last report term.) It was the amount money that was distrained forcibly. The Fu Tian District People's Court had adjudged that the Company won the lawsuit and the forcible execution had been applied by the Company. The company has not yet received the money at the date of the approval of the financial report.

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

②Shenzhen Tellus Real Estate Development Co., Ltd. ("Real Estate Co."), a wholly-owned subsidiary of the company, entered into a Joint Property Construction Contract with Shenzhen Jinlu Industrial and Trade Company ("Jinlu Company") at November 29, 1994 to build a real estate in Shenzhen. Real Estate Co. paid RMB 9,822,500.00 to Jinlu Company as of December 31, 1996. However, Jinlu Company breached the contract and cooperated with Guangzhou Military Area Shenzhen Property Administrative Department ("GMAA") to develop the real estate and paid the RMB 9,822,500 received from Real Estate Co. to GMAA. Therefore, Real Estate Co. lodged a claim against Jinlu Company. The Futian District People's Court admitted GMAA as the third party of this case according to the law of the PRC. It was ruled by the Futian District People's Court that the contract was of no effect; GMAA shall repay Jinlu Company the principal of RMB 9,822,500, interests and judicial proceeding expense, which shall be transferred to Real Estate Co. within three days of the reception by Jinlu Company. GMAA applied for further trial that was allowed, and the original judgment was suspended during the retrial.

Real Estate Co., and Jinlu Company sued GMAA in March, 2005 as co-plaintiffs, appeal the judgement of enforcing the defendants deliver Yelihui Food Street (11,845 m<sup>2</sup> which worth RMB 11,851,357) to plaintiffs. Meanwhile, the defendants should pay RMB 5,034,664.94 which is the rent income since 1998. At the same time, Real Estate Co., signed agreement

with Jinlu Company stated that the Real Estate Co., will allocated 6,000 m<sup>2</sup> of Yelihui Food Street, and the residual part belong to Jinlu Company. If the Food Street is less than 6,000 m<sup>2</sup>, then all of it belong to Real Estate Co.. The profits gained from this case will equally allocated between Real Estate Co., and Jinlu Company. Shenzhen Intermediate People' Court tried this case on August 2010, however, the case is too complicated to make pronouncement of judgement in court.

As Real Estate Co. received Min Wu Chu Zi NO.82 civil order which stated that the Yelihui Food Street is illegal building and the Court cannot judge on it, the Court reject Real Estate Co.'s request. The company has recognized bad debt provision in full of investment fund of Tellus Real Estate.

③In 2014, the subsidiary, Shenzhen Automobile Industry and Trading Co., Ltd.,(bellow short for Automobile Industry and Trading) received the court summonsfrom Shenzhen Futian District People's Court. China Huarong Asset Management Corporation Shenzhen Branch (bellow short for CHAMC)suedAutomobile Industry and Trading to take joint liability due to the claims and disputes of Shenzhen Guangming Watch Co., Ltd. and itscreditor.According to Shenzhen Futian People's Court (1997) Shen Fu "Jing" Zi NO.801 civil judgment,verdict the Guangming Watch Co., Ltd. repays 7 million and interest to China Citic Bank Co., Ltd,. The Guangming Watch Co., Ltd. did not repay the loan after the verdiction. Then the China Citic Bank Co., Ltd,. apply enforcement, token back RMB 561,398.30, there are no more other assets to execut, Shenzhen Futian People's Court verdict Termination of execution by Shen Fu Fa "zhi"Zi NO.102 in December10, 1998.The original debtorthe China Citic Bank Co., Ltd, transfered the debt to CHAMC in July, 2013.

④ Guangming Watch Co., Ltd. was canceled the business licence by Shenzhen Adminstration of Industry and Commerce in Feb. 28, 2002. China Huarong Asset Management Corporation Shenzhen Branch sued Guangming Watch Co., Ltd. and Shenzhen Automobile Industry and Trading Co., Ltd. in May 2014, the plaintiff want the court verdict CHAMC takeover the whole right of Shen Fu "Jing" Zi NO.801 civil judgment(1997). Meanwhile, Shenzhen Automobile Industry and Trading Co., Ltd. did not establish a liquidate team to liquidate the associate in legal deadline, "should bear the joint liability".

## **XI、Subsequent Event**

### **1、Profit distribution**

Pursuant to the resolution of Board at the Board of Directors' meeting on April 14<sup>th</sup>, 2016,

the Company will neither distribute profits nor capitalize capital surplus for the current period. The allocation of profit resolution still need the board of shareholders to approval.

## XII、Other significant events

### 1、Early error correction

The Company does not have any early error correction in this reporting period.

### 2、Debt restructuring

The Company does not have any information of debt restructuring to disclose in this reporting period.

### 3、Non-monetary asset replacement

The Company does not have any information of non-monetary asset replacement to disclose in this reporting period.

### 4、Segment reporting

Financial information of segment reporting.

#### Year 2015

Items	Automobile sales	Vehicle inspection &Components sales	Leasing and services	Inter-segment elimination	Total
Principal operating income	134,916,197.98	62,273,538.90	112,310,487.06	-18,794,735.57	290,705,488.37
Principal operating cost	128,438,474.70	52,522,641.21	51,242,250.80	-18,794,735.57	213,408,631.14
Total assets	32,654,835.75	87,019,810.67	1,949,455,296.48	-900,462,015.41	1,168,667,927.49
Total liabilities	46,316,147.71	49,740,842.07	570,585,415.73	-376,562,881.66	290,079,523.85

#### Year 2014

Items	Automobile sales	Vehicle inspection &components sales	Leasing and services	Inter-segment elimination	Total
Principal operating income	309,927,524.30	54,313,979.13	96,318,663.22	-9,009,108.89	451,551,057.76
Principal operating cost	305,567,651.81	45,377,369.62	45,056,421.29	-9,009,108.89	386,992,333.83
Total assets	63,823,256.36	83,377,851.39	1,301,854,828.02	-642,731,157.97	806,324,777.80
Total liabilities	76,454,644.54	45,914,528.51	860,457,268.88	-378,832,024.22	603,994,417.71



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

#### 1、Accounts receivable

##### (1) Disclosure by category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion ( % )	Amount	Proportion ( % )	
Accounts receivable of individual significance and subject to individual impairment assessment					
Accounts receivable subject to impairment assessment by credit risk characteristics of portfolio					
Accounts receivable of individual insignificance but subject to individual impairment assessment	484,803.08	100.00	484,803.08	100.00	
Total	484,803.08	100.00	484,803.08	100.00	

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion ( % )	Amount	Proportion ( % )	
Accounts receivable of individual significance and subject to individual impairment assessment					
Accounts receivable subject to impairment assessment by credit risk characteristics of portfolio					
Accounts receivable of individual insignificance but subject to individual impairment assessment	484,803.08	100.00	484,803.08	100.00	
Total	484,803.08	100.00	484,803.08	100.00	

#### 2、Other receivables

##### (1) Disclosure by category

Category	Closing balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion ( % )	Amount	Proportion ( % )	

Category	Closing balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable of individual significance and subject to individual impairment assessment	12,246,315.95	11.25	12,246,315.95	100.00	
Other receivable subject to impairment assessment by credit risk characteristics of portfolio	94,805,891.38	87.07	1,061,063.86	1.12	93,744,827.52
Other receivable of individual insignificance but subject to individual impairment assessment	1,833,967.78	1.68	1,833,967.78	100.00	
Total	108,886,175.11	100.00	15,141,347.59	13.91	93,744,827.52

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable of individual significance and subject to individual impairment assessment	12,232,758.22	9.76	12,232,758.22	100.00	
Other receivable subject to impairment assessment by credit risk characteristics of portfolio	111,327,082.72	88.78	976,894.72	0.88	110,350,188.00
Other receivable of individual insignificance but subject to individual impairment assessment	1,833,967.78	1.46	1,833,967.78	100.00	
Total	125,393,808.72	100.00	15,043,620.72	12.00	110,350,188.00

① Other Receivable accounts with large amount individually and bad debt provisions were provided

Other receivable (Unit)	Closing balance
-------------------------	-----------------

	Other receivable	Bad debt provision	Proportion (%)	Reason
Shenzhen ZhongHao (Group) Co.,Ltd.	5,000,000.00	5,000,000.00	100.00	Won the lawsuit,no assets recoverable
Jinbeili electrical appliances Co.,Ltd.	2,706,983.51	2,706,983.51	100.00	Aging long, not expected to withdraw
Shenzhen Petrochemical Industry (Group) Co., Ltd.	1,902,686.77	1,902,686.77	100.00	Aging long, not expected to withdraw
Huatong casing Co.,Ltd.	1,212,373.79	1,212,373.79	100.00	Aging long, not expected to withdraw
Shenzhen Pilot New Chemical Materials Co.,Ltd.	660,790.09	660,790.09	100.00	Aging long, not expected to withdraw
Others_VAT (Trade department)	763,481.79	763,481.79	100.00	Aging long, not expected to withdraw
Total	12,246,315.95	12,246,315.95		

②In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Other receivable	Bad debt provision	Proportion (%)
Within 1 year	92,313,357.91		
1 to 2 years	76,041.64	3,802.08	5.00
2to 3years	503,280.45	100,656.09	20.00
Over 3 years	1,913,211.38	956,605.69	50.00
Total	94,805,891.38	1,061,063.86	

(2) The amount of bad debt provision during the current year is RMB 97,726.87.

(3) Other receivables classified by nature

Nature	Closing balance	Opening balance
Internal current account	92,031,334.71	107,087,610.34
Unit account	2,771,126.39	2,695,084.75
Others	14,083,714.01	15,611,113.63
Total	108,886,175.11	125,393,808.72

(4) The top five of other receivables classified by debtor at period end

Debtors	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Shenzhen ZhongHao (Group) Co.,Ltd.	Unit account	5,000,000.00	Over 3 years	4.59	5,000,000.00
Jinbeili Electrical Appliances Co.,Ltd.	Unit account	2,706,983.51	Over 3 years	2.49	2,706,983.51
Shenzhen Petrochemical Industry (Group) Co., Ltd.	Unit account	1,902,686.77	Over 3 years	1.75	1,902,686.77
Huatong Casing Co.,Ltd.	Unit account	1,212,373.79	Over 3 years	1.11	1,212,373.79
Others_VAT (Trade department)	Unit account	763,481.79	Over 3 years	0.70	763,481.79
Total		11,585,525.86		10.64	11,585,525.86

#### (5) Accounts receivables related to government subsidyn

There are no accounts receivables related to government subsidyn this reporting period..

#### (6) Terminated recognize of other receivables due to financial assets transfer.

There is no terminated recognize of other receivables due to financial assets transfer.

#### (7) Assets or liabilities caused by transferring other receivables

There are no assets or liabilities caused by transferring other receivables.

### 3、Long-term equity investments

#### (1) Disclosure by category

Items	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment to the subsidiaries	525,795,543.61	1,956,000.00	523,839,543.61	265,795,543.61	1,956,000.00	263,839,543.61
Investment to joint ventures/as-so ciated enterprises	168,170,825.88	9,787,162.32	158,383,663.56	171,908,769.00	9,787,162.32	162,121,606.68
Total	693,966,369.49	11,743,162.32	682,223,207.17	437,704,312.61	11,743,162.32	425,961,150.29

#### (2) Investment to the subsidiaries

Names	Opening balance	Increased	Decreased	Closing balance	Impairment provision in current year	Closing balance of impairment provision
Shenzhen Tefa Tellus Real Estate Exchange Co.,Ltd.	31,152,888.87			31,152,888.87		
Shenzhen Tellus Real Estate Exchange Co.,Ltd.	2,000,000.00			2,000,000.00		
Shenzhen Tefa Tellus Property Management Co., Ltd.	5,021,970.88			5,021,970.88		
Shenzhen Tellus Xinyongtong Automobile Development Co.,Ltd.	57,672,885.22			57,672,885.22		
Shenzhen Zhongtian Industrial Co.,Ltd	10,708,622.90	260,000,000.00		270,708,622.90		
Shenzhen Automobile Industry and Trading Co.,Ltd.	126,251,071.57			126,251,071.57		
Shenzhen Tefa Huari Automobile Enterprise Co.,Ltd.	19,224,692.65			19,224,692.65		
Shenzhen Huari Toyota Automobile Co.,Ltd.	1,807,411.52			1,807,411.52		
Shenzhen Xinyongtong Automobile Inspection Equipment Co.,Ltd.	10,000,000.00			10,000,000.00		
Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.*	1,956,000.00			1,956,000.00		1,956,000.00
Total	265,795,543.61	260,000,000.00		525,795,543.61		1,956,000.00

Note: \*The detail information of Shenzhen Hanli Hi-technology Ceramics Co.,Ltd.refers to

## Note VIII-1.Subsidiaries.

## (3) Investment to joint ventures and associated enterprises

Names	Opening balance	Increased /Decreased in reporting period				
		Increased	Decreased	Gain/Loss of investment under equity method	Adjustment of other comprehensive income	Other equity changes
I. Joint ventures						
Shenzhen Tellus Jimeng Investment Co.,Ltd.	59,717,642.94			82,052.79		
Shenzhen Tellus Xing Investment Co.,Ltd.	9,313,071.40			645,073.44		
Subtotal	69,030,714.34			727,126.23		
II. Associated enterprises						
Shenzhen Xing Long Mechanical Model Co.,Ltd.	15,878,254.74					
Shenzhen Tellus Automobile Service Development Co.,Ltd.						
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	77,212,637.60			1,834,930.65		
Hunan Changyang Industrial Co.,Ltd.*	1,810,540.70					
Shenzhen Jiecheng Electronic Co.,Ltd.*	3,225,000.00					
Shenzhen Pilot New Chemical Materials Co.,Ltd.*	4,751,621.62					
Subtotal	102,878,054.66			1,834,930.65		
Total	171,908,769.00			2,562,056.88		

(continued)

Names	Increased /Decreased in reporting period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
I. Joint ventures					
Shenzhen Tellus Jimeng Investment Co.,Ltd.				59,799,695.73	

Names	Increased /Decreased in reporting period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
Shenzhen Tellus Xing Investment Co.,Ltd.				9,958,144.84	
Subtotal	-			69,757,840.57	
II. Associated enterprises					
Shenzhen Xing Long Mechanical Model Co.,Ltd.				15,878,254.74	
Shenzhen Tellus Automobile Service Development Co.,Ltd.					
Shenzhen Ren Fu-Tellus Automotive Service Co.,Ltd.	6,300,000.00			72,747,568.25	
Hunan Changyang Industrial Co.,Ltd.*				1,810,540.70	1,810,540.70
Shenzhen Jiecheng Electronic Co.,Ltd.*				3,225,000.00	3,225,000.00
Shenzhen Pilot New Chemical Materials Co.,Ltd.*				4,751,621.62	4,751,621.62
Subtotal	6,300,000.00			98,412,985.31	9,787,162.32
Total	6,300,000.00			168,170,825.88	9,787,162.32

Note:\*Full provision for impairment has been made for these companies due to the revocation of Business License.

#### 4、Operating income and operating costs

Items	Current year		Previous year	
	Income	Cost	Income	Cost
Principal operating activities	36,101,114.68	3,735,105.43	20,660,013.84	3,638,420.84
Total	36,101,114.68	3,735,105.43	20,660,013.84	3,638,420.84

#### 5、Investment Income

Items	Current year	Previous year
Income from long-term equity investment measured by adopting the equity method	2,562,056.88	14,260,218.24
Investment income received from holding of held-to-maturity investment	4,383,068.48	
Investment income received from holding of available-for-sale financial assets		84,270.40

Items	Current year	Previous year
Investment income arising from disposal of available-for –sale financial assets		1,141,857.35
Total	6,945,125.36	15,486,345.99



## XIV、Supplementary information

### 1、Non-recurring profit and lossfor the current year

Items	Amount	Description
Gains or losses from disposal of non-current assets after expending impairment provisions	-34,345.09	
Exceeded-authority approved, non-official approved or accidental tax repayment and relief		
Government grants recognized through profits or loss for the current reporting period, excluding grants which are closely related to the Company's operating activities and of which the quota or approval is eligible for automatic renewal in accordance with relevant regulations	371,850.00	
Financial resource usage fees charged on non-financial institution recognized through profit or loss for the current reporting period		
Gains arising from bargain purchase in business combination and investments in associates and joint ventures		
Non-monetary assets exchange		
Consigned investment and asset management	5,740,301.35	Note VI.41
Impairment provision resulting from force majeure, e.g. natural disasters		
Debt restructuring		
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.		
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted price in excess of fair transaction price, of a transaction		
Net profits or losses achieved by an acquired under-common-control entity during the period from the start of the period to the acquisition date		
Gains or losses arising from contingent events unconnected with the Company's daily operating activities	-61,965.00	
Fair value changes of tradable financial assets and tradable financial liabilities held and gains or losses arising from disposals of tradable financial assets, tradable financial liabilities and available-for-sale financial assets, excluding hedging contracts relevant to the Company's daily operating activities		
Reversal of provision for account receivables that are tested for impairment losses individually	31,980.00	
Profit or loss on entrusted loans		
Profit or loss on changes in the fair value of investment properties that are subsequently		

Items	Amount	Description
measured using the fair value model		
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the period requirements of tax laws and accounting laws and regulations		
Custodian fees earned from entrusted operation		
Other non-operating income or expenses other than the above	118,638.89	
Other profit or loss that meets the definition of non-recurring profit or loss	9,722,688.86	
Subtotal	15,889,149.01	
Tax effects	1,576,392.95	
Effects attributable to minority interests (after tax)	132,446.96	
Total	14,180,309.10	

Note: "+" means income or gain and "-" means loss or expense.

The Company defines items as non-recurring profit or loss items according to "Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1---Non-recurring Profit or Loss"(CSRC No.[2008]43).

## 2、Rate of return on net assets and earnings per share

Profit category	Rate of the weighted average net profit (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders	6.2127	0.1538	0.1538
Recurring profit or loss attributable to ordinary shareholders	4.1529	0.1298	0.1298

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

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

1. Original Accounting Statement of 2015 carrying the signatures and seals of the legal representative, general manager, CFO and manager of Financial Department;
2. Original Auditors' Report (Chinese and English Version) carrying the seals of accounting firms, and signatures and seals of the CPA;
3. All original documents and notifications of the Company disclosed in newspapers that designated by CSRC in report period;
4. Annual report disclosed in other securities market (Summary).

Shenzhen Tellus Holding Co., Ltd  
Chairman: Lv Hang

15 April 2016