

**TSANN KUEN (CHINA) ENTERPRISE CO., LTD.**

**2016 SEMI-ANNUAL REPORT**

**(Unaudited)**

**August 2016**

## **Section I. Important Reminders, Contents & Explanation**

The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Tsann Kuen (China) Enterprise Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report is factual, accurate and complete without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors attended the board session for reviewing this report.

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

Mr. Pan Zhirong, company principal, and Mr. Feng Zhiqing, head of the accounting work & the accounting division (head of accounting) jointly declare that the financial statements carried in this report are factual, accurate and complete.

English translation is for reference only. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

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## Explanation

Term	Refers to	Contents
Xiamen Tsann Kuen, TKC B, Company, the Company, TKC	Refers to	TSANN KUEN (CHINA) ENTERPRISE CO., LTD.
Tsann Kuen Zhangzhou, TKL	Refers to	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.
Tsann Kuen Shanghai, TKS	Refers to	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.
South Port Electronics, TKN	Refers to	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.
STD	Refers to	Shanghai Canxing Trading Co., Ltd.
East Sino Development	Refers to	East Sino Development Limited
SCI	Refers to	Pt.Star Comgistic Indonesia
OSI	Refers to	Orient Star Investments Limited
Tsannkuen Edge Intelligence	Refers to	Tsannkuen Edge Intelligence Co., Ltd.
XTHAD	Refers to	Xiamen Tsannkuen Home Appliance Design Co., Ltd.
RMB	Refers to	RMB Yuan

## Section II. Company Profile

### I. Basic information about the Company

Stock name	TKC B	Stock code	200512
Stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	厦门灿坤实业股份有限公司		
Abbr. of the Chinese name of the Company	闽灿坤		
English name of the Company	TSANNKUEN(CHINA) ENTERPRISE CO. LTD		
Abbr. of the English name of the Company	TKC		
Legal representative of the Company	Pan Zhirong		

### II. Contact information

	Board Secretary	Securities Representative
Name	Sun Meimei	
Contact address	TSANN KUEN Industrial Park, Taiwanese Investment Zone, Zhangzhou, Fujian Province, P.R.China	
Tel.	0596-6268161	
Fax	0596-6268104	
E-mail	mm_sun@tkl.tsannkuen.com	

### III. Other information

#### 1. Ways to contact the Company

Did any change occur to the registered address, office address and their postal codes, website address and email address of the Company during the Reporting Period?

Applicable  Not applicable

#### 2. About information disclosure and where this report is placed

Did any change occur to information disclosure media and where this report is placed during the Reporting Period?

Applicable  Not applicable

#### 3. Change of the registered information

Did any change occur to the registered information during the Reporting Period?

Applicable  Not applicable

The registration date and place of the Company, its business license No., taxation registration No. and organizational code did not change during the Reporting Period. The said information can be found in the 2015 Annual Report.

#### 4. Other relevant information

Did any change occur to other relevant information during the Reporting Period?

Applicable  Not applicable

## Section III. Highlights of Accounting Data & Financial Indicators

### I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of any accounting policy or correction of any accounting error?

Yes  No

Unit: RMB Yuan

Item	Reporting period	Same period of last year		YoY +/- (%)
		Before adjustment	After adjustment	
Operating revenues	798,108,689.27	895,194,158.07	895,194,158.07	-10.85
Net profit attributable to shareholders of the Company	17,789,801.36	15,111,025.18	14,297,544.70	24.43
Net profit attributable to shareholders of the Company after excluding non-recurring gains and losses	15,944,852.56	3,666,507.14	3,666,507.14	334.88
Net cash flow from operating activities	-60,172,006.29	-50,563,639.81	-51,228,475.46	-17.46
Basic EPS (RMB Yuan/share)	0.10	0.08	0.08	25.00
Diluted EPS (RMB Yuan/share)	0.10	0.08	0.08	25.00
Weighted average ROE (%)	3.11	2.73	2.58	0.53
Item	As at the end of the reporting period	As at the end of last year		+/- (%)
		Before adjustment	After adjustment	
Total assets	1,508,112,295.06	1,766,285,350.11	1,662,657,829.11	-9.30
Net assets attributable to shareholders of the Company	576,709,428.29	533,817,984.80	562,024,410.53	2.61

Notes to the retroactive adjustment of 2016 opening amount and that of the same period of last year:

On 24 April 2015, the Company held the 2015 2<sup>nd</sup> Board of Directors had approved the resolutions, of which the controlling subsidiary Zhangzhou Tsann Kuen Industrial Co., Ltd. (named “Zhangzhou Tsann Kuen” for short with the shareholding of 75%) and firstly set up the wholly owned subsidiary Orient Star Investments Limited (named “Orient Star Investments”) then secondly Orient Star Investments invested and purchased the 100% equities of the wholly owned subsidiary Tsannkuen Edge Intelligence Co., Ltd. (named “Tsannkuen Edge Intelligence” for short) of STAR COMGISTIC CAPITAL CO., LTD. (named “STAR COMGISTIC CAPITAL” for short). Orient Star Investments received the relevant letter about approving the purchase of the 100% equities of

Tsannkuen Edge Intelligence from Taiwan competent authorities on 15 March 2016 and amount that STAR COMGISTIC CAPITAL received the purchase of the whole equities of Tsannkuen Edge Intelligence by Orient Star Investments on 21 March 2016 was of USD968,545.48. And had completed the relevant alternation procedures of the commercial registration of the equity transfer on 19 April 2016 and with the details, please refer to the Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 25 April 2015, the Correcting Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 28 April 2015, Announcement on the Completion of the Commercial Registration Procedures of the Hong Kong Wholly-owned Subsidiary of Zhangzhou Tsann Kuen that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 May 2015, Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Purchased Tsannkuen Edge Intelligence and the Progress of the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 March 2016 and the Announcement on the Completion of the Commercial Alternation Registration of the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen through the Purchase of Tsannkuen Edge Intelligence by Hong Kong Subsidiary that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 April 2016.

According to No. 20 of ASBE - Enterprise Merger, the Transaction formed the enterprise merger under the same control and the main body was regarded as always exist in the previous periods after the merger. The combining party shall adjust the opening amounts and the amounts for the same period of last year of relevant items in the statements.

Total share capital up to the trading day before the disclosure:

Total share capital up to the trading day before the disclosure (share)	185,391,680
Fully diluted EPS calculated according to the latest share capital (RMB Yuan/share)	0.10

## II. Differences between accounting data under domestic and overseas accounting standards

### 1. Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

Applicable  Not applicable

No difference in the Reporting Period.

### 2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Applicable  Not applicable

No difference in the Reporting Period.

### 3. Explain reasons for the differences between accounting data under domestic and overseas accounting standards

Applicable  Not applicable

**III. Items and amounts of extraordinary gains and losses**

√ Applicable □ Not applicable

Unit: RMB Yuan

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	525,173.19	Gains/losses on the disposal of assets
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents		
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards	2,627,972.00	
Capital occupation charges on non-financial enterprises that recorded into current gains and losses		
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments		
Gain/loss on non-monetary asset swap		
Gain/loss on entrusting others with investments or asset management		
Asset impairment provisions due to acts of God such as natural disasters		
Gain/loss on debt restructuring		
Expenses for business reorganization, such as expenses for staffing, reorganization etc.		
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices		
Current gains and losses of subsidies acquired from business combination under the same control as from period-begin to combination date	-2,224,231.59	Loss of Tsannkuen Edge Intelligence before combination
Gain/loss on contingent events irrelevant to the Company's normal business		
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	1,202,138.05	Gains on sale of forward exchange contracts and fair value changes
Reversal of provision for impairment that made impairment test independently		
Gain/loss on loans obtained by entrusting others		
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations		
Custody fee income when entrusted with operation		
Other non-operation income and expenses other than the above	1,134,179.24	
Other gain/loss items that meet the definition of an extraordinary gain/loss		
Less: Income tax effects	848,609.22	
Minority interests effects (after tax)	571,672.87	
Total	1,844,948.80	

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

□ Applicable √ Not applicable



## Section IV. Report of the Board of Directors

### I. Business review for the reporting period

For the reporting period, the Company achieved operating revenues of RMB798 million, down 10.85% over RMB895 million of the same period of last year, and net profit of RMB17.79 million, up 24.43% over RMB14.30 million of the same period of last year. The net profit grew mainly because of the depreciation of RMB, lower prices of procured items and lower labor cost due to a downsizing campaign at the end of last year. We will continue to control our procurement cost, stick to lean manufacturing, strengthen internal operation and improve our production and marketing procedures.

### II. Main business analysis

#### 1. Overview

We will carry on with the simplification and transformation strategies. We are checking the structures and functions of our departments of development, procurement, manufacturing and marketing to make sure the implementation of lean production. Meanwhile, new raw materials, techniques and manufacturing equipment are being brought in to increase our yield rate and production efficiency. Upholding the strategy of innovation-driven transformation, we ask for better execution in our innovation, production and differentiation to become more competitive and provide products with multi-functions, high added value and high quality.

The continuous recovery of the US and European markets is expected to boost demand for small home appliances. Through being more intimate with customers and cost leadership, we create market demand by developing smart-home and low-carbon products, which effectively expands our market share and strengthen our profitability.

#### 2. YoY changes in major financial data

Unit: RMB Yuan

Item	As at the period-end	As at the year-beginning	+/-%	Main reasons for changes
Financial assets measured at fair value and of which changes are recorded into current gains and losses	27,300.00	0.00	100.00	Appraised gain from forward forex contracts
Notes receivable	3,388,917.00	1,483,710.00	128.41	Undue notes receivable in the period
Other receivables	25,608,750.65	50,308,515.39	-49.10	Receipt of export tax rebates
Other current assets	238,495,735.19	89,858,232.99	165.41	Purchase of wealth management products of RMB150 million in the period
Construction in progress	396,547.71	210,796.20	88.12	Increase in outsourced construction projects
Other non-current assets	1,991,186.65	6,264,771.15	-68.22	Acceptance of the prepayment for equipment
Short-term borrowings	70,831,265.19	0.00	100.00	Short-term borrowings from bank

Item	As at the period-end	As at the year-beginning	+/-%	Main reasons for changes
Financial liabilities measured at fair value and of which changes are recorded into current gains and losses	2,844,750.00	8,462,500.00	-66.38	Appraised loss on forward forex contracts
Accounts payable	397,421,000.82	575,930,730.06	-30.99	Operating revenues decreased and the payables for procurement also decreased
Interest payable	140,337.30	0.00	100.00	Provision for interest on short-term bank loans
Other comprehensive income	4,773,167.33	3,231,050.04	47.73	Larger translation difference of foreign-currency statements

Item	Reporting period	Same period of last year	+/-%	Main reasons for changes
Operating revenues	798,108,689.27	895,194,158.07	-10.85	
Operating costs	662,817,165.10	771,483,297.01	-14.09	
Business tax and surtaxes	2,975,879.16	3,084,362.18	-3.52	
Selling expenses	40,742,161.54	41,124,129.32	-0.93	
Administrative expenses	80,750,640.07	84,091,122.62	-3.97	
Financial costs	-9,966,312.52	-9,205,737.43	-8.26	
Asset impairment losses	-760,811.14	1,103,733.79	-168.93	Reversal of bad-debt provisions
Gains on fair value changes	5,645,050.00	8,800,909.85	-35.86	Decreased appraised gain from forward forex contracts
Investment gains	-4,434,437.95	6,030,668.82	-173.53	Decreased gain from delivered forward forex deals
Non-business income	4,349,049.40	3,229,489.17	34.67	Increase in governmental subsidy
Non-business expenses	61,724.97	118,195.62	-47.78	Losses on retirement of fixed assets decreased
Income tax expenses	2,757,325.93	3,300,757.78	-16.46	
R&D input	36,526,821.94	36,886,667.23	-0.98	
Net cash flows from operating activities	-60,172,006.29	-51,228,475.46	-17.46	
Net cash flows from investing activities	-279,556,638.97	-245,151,534.09	-14.03	
Net cash flows from financing activities	37,283,764.50	198,385,922.40	-81.21	Decreased borrowings
Net increase in cash and cash equivalents	-295,869,076.86	-99,712,681.30	-196.72	Decreased borrowings

Major changes to the profit structure or sources of the Company during the Reporting Period:

Applicable  Not applicable

No such cases.

Reporting period progress of the future development planning in the disclosed documents of the Company such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.:

Applicable  Not applicable

No such cases.

Review the progress of the previously disclosed business plan in the Reporting Period:

For the first half of 2016, the Company achieved operating revenues of RMB798 million with a net profit attributable to the shareholders of the Company (without subsidiaries) of RMB17.79 million.

### III. Breakdown of main business

Unit: RMB Yuan

Item	Operating revenues	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenues over last year (%)	Increase/decrease of operating costs over last year (%)	Increase/decrease of gross profit rate over last year (%)
Classified by industry						
Small home appliance manufacture	770,647,435.81	653,194,377.94	15.24%	-10.45%	-14.15%	3.65%
Total	770,647,435.81	653,194,377.94	15.24%	-10.45%	-14.15%	3.65%
Classified by product						
Cooking tools	501,719,431.66	415,652,567.09	17.15%	-9.73%	-14.30%	4.42%
Home helpers	191,401,843.58	171,064,445.66	10.63%	8.84%	6.02%	2.38%
Tea/Coffee makers	64,029,112.60	53,158,318.25	16.98%	-46.97%	-51.47%	7.70%
Others	13,497,047.97	13,319,046.94	1.32%	65.73%	171.33%	-38.41%
Total	770,647,435.81	653,194,377.94	15.24%	-10.45%	-14.15%	3.65%
Classified by region						
America	275,549,476.29	237,639,104.13	13.76%	-23.34%	-25.78%	2.84%
Asia	208,857,636.44	176,688,150.96	15.40%	-22.67%	-25.92%	3.71%
Europe	236,021,173.18	198,117,654.72	16.06%	27.43%	22.17%	3.61%
Australia	45,086,797.22	36,433,008.92	19.19%	9.85%	2.14%	6.10%
Africa	5,132,352.68	4,316,459.21	15.90%	7.49%	0.12%	6.20%
Total	770,647,435.81	653,194,377.94	15.24%	-10.45%	-14.15%	3.65%

### IV. Core competitiveness analysis

As a manufacturer of small home appliances, most of our products are exported. And our core competitive edges mainly lie in the capability to develop new products in a timely manner according to market needs due to our strength in technology and R&D as well as a relatively high market position due to our good relationship with some customers with globally famous brands.

In the reporting period, we obtained 31 patents in R&D, including 9 invention patents, 2 innovation patents and 20 product design patents. There are also dozens of patents being applied for. These patents can help better protect our intellectual property rights, give play to our competitive edge in independent property rights, keep a leading position in technology and increase our core competitiveness.

In addition, Tsannkuen Edge Intelligence Co., Ltd. ("Edge Intelligence"), a newly acquired subsidiary, owns the Arduino open control platform technology, which will be a great help in our medium and long-term strategy for IOT (Internet of Things), ICT

(Information and Communication Tech) and AI (Artificial Intelligence). The R&D and technology strength of Edge Intelligence in Taiwan will help further increase our overall strength in R&D, strengthen our medium and long-term strategy in R&D, mutually complement R&D resources of our operations in China Mainland, and improve our smart home appliance division to cope with the rapid changes in the market.

## V. Investment analysis

### 1. External equity investments

#### (1) External investments

Applicable  Not applicable

Unit: RMB Yuan

External investments		
Investment amount in the reporting period	Investment amount in the same period of last year	+/- %
6,278,499.22	0.00	100.00
Particulars about investees		
Name of investee	Main business	Proportion of the Company's investment in the investee's total equity interests (%)
Tsannkuen Edge Intelligence Co., Ltd.	Design, R&D service, etc.	75.00

#### (2) Equity-holdings in financial enterprises

Applicable  Not applicable

The Company was not involved with any equity-holding in financial enterprises.

#### (3) Securities investments

Applicable  Not applicable

The Company was not involved with any security investment.

#### (4) Equities held in other listed companies

Applicable  Not applicable

The Company was not involved with any equity held in other listed companies.

## 2. Wealth management entrustment, derivative investments and entrustment loans

### (1) Wealth management entrustment

√ Applicable □ Not applicable

Unit: RMB Ten Thousand

Name of trustee	Relation	Related-party transaction or not	Product variety	Amount entrusted	Beginning date	Ending date	Payment determination	Principal actually recovered	Impairment provision (if any)	Predicted gain	Actual gain/loss in the reporting period
Shenzhen Ping An Bank	No	Not	Break-even floating income product	8,000.00	2015-12-24	2016-12-23	6.00%	0.00	Naught	480.00	0.00
Xiamen International Bank	No	Not	Break-even floating income product	15,000.00	2016-01-26	2016-12-29	3.80%	0.00	Naught	527.84	0.00
Total				23,000.00				0.00		1,007.84	0.00
Source of the entrusted funds				Self-owned funds							
Cumulative overdue principals and gains				0.00							
Lawsuits				N/A							
Disclosure date of the board announcement approving the wealth management entrustment				2015-03-13							
Disclosure date of the general meeting announcement approving the wealth management entrustment				2015-05-23							

**(2) Derivative investments**

√ Applicable □ Not applicable

Unit: RMB Ten thousand

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Purchased amount in the reporting period	Sold amount in the reporting period	Impairment provision	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets (%)	Actual gain/loss in the reporting period
Bank	No	No	Forward forex	29,155.60	2016-01-01	2016-06-30	27,816.19	1,333.33	21,429.02		7,726.58	13.40	120.21
Total				29,155.60			27,816.19	1,333.33	21,429.02		7,726.58	13.40	120.21
Capital source for derivative investment				Self-owned funds									
Lawsuits				N/A									
Disclosure date of the board announcement approving the derivative Investment				2013-03-12									
Disclosure date of the general meeting announcement approving the derivative Investment				2013-05-18									
Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)				<p>1. Analysis on risks from holding of derivative products: gains or losses from difference between contracted exchange rate and market exchange rate on value date.</p> <p>2. Control measures:</p> <p>(1) Principle: The purpose of the financial derivative operation is to avoid risks. The Company shall not conduct transactional operation for other purposes than risk avoidance. The Company shall not conduct complex derivative trading above the actual operation needs and shall not speculate in derivative trading with hedging as an excuse. The overall contractual amount for risk avoidance of the Company shall not exceed the summation of the net risk exposure of the existing assets and liabilities and the net risk exposure of assets and liabilities arising from the operation of the Company in the coming year.</p> <p>(2) Staff requirements: Personnel taking part in the investment shall all fully understand the risks of derivative investment and strictly execute the business operation and risk management mechanisms for derivative investment.</p> <p>(3) Operation standardization: Before making a derivative investment, the Company shall rationally equip itself with professional personnel for investment decision-making, business operation, risk control, etc. It shall also inquire and compare among various markets and products. Besides, it shall strictly control the variety and size of derivative investment and try to choose derivative trading on exchange as much as possible.</p> <p>(4) Periodic evaluation: Derivative investments shall be evaluated at least twice for a month and the evaluation report shall be sent to a high-ranking executive authorized by the Board of Directors. And a derivative investment report shall be sent to the Board of Directors annually. The Company and its subsidiaries only need to submit to the Board of Directors of the subsidiaries.</p>									

	<p>(5) Loss limit: The investment loss on a single derivative and all the investment loss shall not exceed 20% of the total investment amount.</p> <p>(6) Audit system: The audit department audits derivative product trading periodically and submits audit reports to relevant units.</p>
<p>Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.</p> <p>Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period</p> <p>Special opinion from independent directors, sponsor or financial consultant on the Company's derivatives investment and risk control</p>	<p>(1) Profit/loss on delivered derivative financial instruments was RMB-4.4429 million in the reporting period, and evaluated profit on undelivered derivatives was RMB5.6450 million in the reporting period, including the reversed evaluated loss of RMB8.4625 million on undelivered forward exchange instruments of last year.</p> <p>(2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month.</p> <p>(3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.</p> <p>There were no significant changes between the Company's accounting policy and specific accounting principles of derivatives in the reporting period and those in the last reporting period.</p> <p>The Company has carried out a strict internal assessment for the financial derivative business and has established a corresponding supervision mechanism. We are of the opinion that the financial derivative business conducted by the Company is fairly necessary in its routine operation and is in compliance with relevant laws and regulations, with the risks controllable.</p>
<p>Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period</p>	<p>There were no significant changes between the Company's accounting policy and specific accounting principles of derivatives in the reporting period and those in the last reporting period.</p>
<p>Special opinion from independent directors, sponsor or financial consultant on the Company's derivatives investment and risk control</p>	<p>The Company has carried out a strict internal assessment for the financial derivative business and has established a corresponding supervision mechanism. We are of the opinion that the financial derivative business conducted by the Company is fairly necessary in its routine operation and is in compliance with relevant laws and regulations, with the risks controllable.</p>

### (3) Entrustment loans

Applicable  Not applicable  
No such cases in the Reporting Period.

### 3. Use of raised funds

Applicable  Not applicable  
No such cases in the Reporting Period.

#### 4. Analysis to main subsidiaries and stock-participating companies

Particulars about main subsidiaries and stock-participating companies:

Unit: RMB Yuan

Company name	Company type	Industry	Business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Controlled subsidiary	Small home appliance manufacture	Development and production of home appliances, electronic products, light-industrial products, and modern furniture and relative modules, communication equipment, all kinds of lamps and lighting devices such as mechanical and electrical product. Processing and manufacturing non-ferrous metal composite materials and new alloy material; Sales of the company products and semi-finished products; providing after-sales service and technical services; contracting the company business scope of processing according to the buyer's materials and samples and assembling parts supplied by buyers and compensation trade business. The wholesale of all kinds of home appliances, electronic products, water purification equipment, air purification equipment, communications equipment, security products and prepackaged foods	USD160 million	1,778,811,981.88	1,221,365,973.88	757,339,909.16	35,247,611.60	36,328,907.41
Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Subsidiary of a controlled subsidiary	Small home appliance manufacture	Production and sales of household appliances, electronics, light industrial products and modern office supplies and relevant modules. All kinds of computers and peripheral equipment and components, the development of computer software, IC packaging and testing and sales of self-produced products	USD40 million	94,291,098.33	91,144,332.39	1,319,683.80	1,615,462.46	1,615,462.46
Pt. Star Comgistic Indonesia	Subsidiary of a controlled subsidiary	Home appliance manufacture	Production and sale of display/LCD TV/chandelier/table lamps/LED lights/fluorescent lamp/dehumidifier/mixer/juice/machine/mosquito killer/coffee pot / hair dryer/fan/humidifier/electric oven, microwave oven, toaster/rice cooker/iron/deep fryer	USD25 million	109,121,028.88	92,893,021.40	30,021,531.63	-10,157,316.55	-10,158,628.72
Tsannkuen Edge Intelligence Co., Ltd.	Subsidiary of a controlled subsidiary	Design, R&D service, etc.	Industrial design, manufacturing of uncategorized home appliances	NTD30 million	7,091,456.07	-845,343.32	2,322,951.04	-3,949,913.34	-3,929,681.29



**5. Significant projects of investments with non-raised funds**

Applicable  Not applicable

**VI. Predict the operating results of January-September 2016**

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-begin to the end of the next reporting period according to prediction, as well as explanations on the reasons:

Applicable  Not applicable

**VII. Explanation of the Board of Directors and the Board of supervisors concerning the “non-standard audit report” issued by the CPAs firm for the reporting period**

Applicable  Not applicable

**VIII. Explanation of the Board of Directors concerning the relevant situation of the “non-standard audit report” of last year**

Applicable  Not applicable

**IX. Situation of the execution of the profits distribution of the reporting period of the Company**

Situation of the execution or adjustment of the profits distribution proposals especially the cash bonus proposal and the proposal of turning capital reserve into share capital

Applicable  Not applicable

For the details of the profits distribution of Y2015 of the Company, please refer to the Announcement on the 2015 Annual Equity Distribution Execution disclosed on the Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 June 2016, which had completed execution according to the timetable given in the announcement.

Special explanation of cash dividend policy	
Whether conformed with the regulations of the Articles of association or the requirements of the resolutions of the shareholders' meeting:	Yes
Whether the dividend standard and the proportion were definite and clear:	Yes
Whether the relevant decision-making process and the system were complete:	Yes
Whether the independent director acted dutifully and exerted the proper function:	Yes
Whether the medium and small shareholders had the chances to fully express their suggestions and appeals, of which their legal interest had gained fully protection:	Yes
Whether the conditions and the process met the regulations and was transparent of the adjustment or altered of the cash dividend policy:	Yes

**X. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period**

Applicable  Not applicable

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

**XI. Particulars about researches, visits and interviews received in this reporting period**

√ Applicable □ Not applicable

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
2016-02-01		By phone	Individual	Mr. Wang	Asked about the Company's B-share reform and transfer of equity interests of Tsann Kuen China (Shanghai) Enterprise Co., Ltd., with no materials provided
2016-02-02		By phone	Individual	Mr. Wang	Asked about the Company's transfer of equity interests of Tsann Kuen China (Shanghai) Enterprise Co., Ltd., with no materials provided
2016-05-09		By phone	Individual	Ms. Li	Asked about the Company's financial problem mentioned in the first quarter report and transfer of equity interests of Tsann Kuen China (Shanghai) Enterprise Co., Ltd., with no materials provided
2016-05-13		By phone	Individual	Mr. Zhang	Asked about the Company's transfer of equity interests of Tsann Kuen China (Shanghai) Enterprise Co., Ltd., with no materials provided
2016-05-17		By phone	Individual	Mr. Chen	Asked about the Company's production and operation, with no materials provided

## Section V. Significant Events

### I. Corporate governance

Company governance practice has no difference with requirements of relevant law and rules of Company Law and CSRC.

### II. Litigations and arbitrations

Significant litigations and arbitrations

Applicable  Not applicable

Unit: RMB Ten Thousand Yuan

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
The progress events of the appeal between the Company's controlling subsidiary—Zhangzhou Tsann Kuen and Xinda Motor	430.49	No	Fujian High People's Court decided to hold a hearing on 26 Mar. 2014.	Not yet disclosed	None	22 Feb. 2014	<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

Other lawsuits

Applicable  Not applicable

Unit: RMB Ten Thousand Yuan

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
The Company sued the members of the liquidating committee of Shenzhen Amoz Industrial Co., Ltd. for liability litigations (Zhu Huifeng, Gan Yuxing and Wang Xinlin)	23.71	No	Shenzhen Luohu Court had put on record on 19 September 2011; and the judgment of second instance by Shenzhen Intermediate People's Court had come into effect on 20 February 2013.	According to the judgment of second instance, the defendant should pay for RMB124,166.00 and interests	Received the execution funds of RMB30,400.64 from Shenzhen Intermediate People's Court On 16 March 2016.	31 Dec. 2011	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Contract violation case of the controlling subsidiary of the Company Zhangzhou Tsann Kuen Enterprise Co., Ltd. sued DDF Company	13.75	No	Zhangzhou Longhai Court had put on record on 4 January 2012; and decided to hold a hearing on 7 June 2012	According to the judgment of first instance, the defendant should pay for RMB137,592	In progress	31 Dec. 2011	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
The case of the controlling subsidiary Zhangzhou Tsann Kuen Enterprise Co., Ltd. sued Japan UCC Ueshima Coffee Co., Ltd. (contract disputes)	1,770.26	No	Zhangzhou Tsann Ken had submitted the indictment to the local judicatory in Kobe, Japan on 9 May 2014; recently is in the trial	Had no result	No	No	No
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (No. 23 of Huarong Rd, Huli District, Xiamen)	29.43	No	Xiamen Huli People's Court had put on record in October 2014; the judgment of second instance is in progress	The judgment of first instance of Xiamen Huli People' Court: 1. The defendant Tianyuan (Xiamen) Assets Management Co., Ltd. should pay the late payment penalty due to breach of contract for Tsann Kuen within 10 days from the date of the judgment come into effect (calculated according to quadruple of the similar loan interest rates over the same period of the bank) 2. The litigation fee of RMB 360 should be borne by the defendant.	No	No	No
The debt disputes case of Xiamen Zhicheng Electrical Material s Co., Ltd. and Qidong Jilai Electronics Co., Ltd. sued the controlling shareholder of the Company Zhangzhou Tsann Kuen Enterprise Co., Ltd.	45.28	No	Fujian Zhangzhou Longhai Court had put on record on 18 November 2014; had held the third hearing on 24 July 2015	The two sides reached a settlement	Lawsuit settled	No	No
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (North Building of the Factory, No. 88 of Xinglong Rd, Huli District, Xiamen)	58.46	No	Xiamen Huli People's Court had put on record on 28 April 2015; and had held the hearing on 11 June 2015	Had no result	No	No	No
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (Southeast Corner, No. 88 of Xinglong Rd, Huli District, Xiamen)	8.32	No	Xiamen Huli People's Court had put on record on 28 April 2015; and had held the hearing on 11 June. 2015	Had no result	No	No	No
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (Northwest Corner, No. 88 of Xinglong Rd, Huli District, Xiamen)	18.61	No	Xiamen Huli People's Court had put on record on 28 April 2015; and had held the hearing on 11 June 2015	Had no result	No	No	No
The house leasing contract disputes of the controlling subsidiary Zhangzhou Tsann Kuen	13.76	No	Xiamen Huli People's Court had put on record on 21 January 2015;	The judgment of first instance of Xiamen Huli People's Court: 1. the defendant	In progress	No	No

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
Enterprise Co., Ltd. sued Xiamen Yada Building Materials Co., Ltd. (fell behind with the rent etc.)			and had held a hearing on 15 June 2015	Yada Company paid RMB41,906.60 for the rent from May to August of 2014 and RMB7,722 of the property management fee from June to August of 2014, which added up to RMB49,628.60 as well as the overdue payment interests; 2. the defendant burdened the litigation fee of RMB1,052 and Tsann Kuen of RMB2,000.			
The case of the controlling subsidiary Zhangzhou Tsann Kuen Enterprise Co., Ltd. sued Dongguan Kingsun Optoelectronic Co., Ltd. about the production and sales of the latter violated the appearance design patent products of the former	10.00	No	The complaint evidence had been submitted to Guangzhou Intellectual Property Court on 1 March 2015; had held a hearing on 27 October 2015; and had received the appeal petition from the defendant on 3 December 2015.	The judgment of Guangzhou Intellectual Property Court: 1. the defendant Dongguan Kingsun Optoelectronic Co., Ltd. should cease the production, sales and the commitment on selling infringing products from the date when the judgment come into force, as well as should compensate for the economic losses and the investigation fee of RMB80,000 for the plaintiff Tsann Kuen; 2. the litigation fee of the case should be burdened by the defendant.	No	No	No
The liabilities disputes and rent arrears case of the controlling subsidiary Zhangzhou Tsann Kuen Enterprise Co., Ltd. sued Zhangzhou Xingkun Plastic Products Co., Ltd.	37.58	No	Fujian Zhangzhou Longhai Court had put on record on 30 March 2015; recently the service by publication according to law is in the progress	The judgment of Fujian Zhangzhou Longhai Court: 1.the defendant Xingkun Plastic should pay the rent and the management fee of RMB88,320 for Tsann Kuen; 2. Tsann Kuen burdened the litigation fee of RMB2,230 while Xingkun of RMB2,008.	No	No	No
The case of the controlling subsidiary Zhangzhou Tsann Kuen Enterprise Co., Ltd. sued Shanghai Sunbren about the production and sales of the latter violated the patent for invention of the former	10.00	No	Had received the receipt notice from Shanghai Intellectual Property Court on 9 July 2015	The judgment of the court: turned down all the litigant claims from Tsann Kuen.	No	No	No
The arbitration case of housing lease contract disputes between the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd. and Shanghai Tanghai Investment Co., Ltd.	276.63	No	Shanghai Arbitration Commission had put on record in April 2015; and had a hearing on 22 July 2015	Had no result	No	No	No

**III. Media's questions**

Applicable  Not applicable

The Company was not involved with any media's question of the Reporting Period.

**IV. Bankruptcy or reorganization events**

Applicable  Not applicable

The Company was not involved with any bankruptcy or reorganization event of the Reporting Period.

**V. Assets transaction events****1. Purchase of assets**

Applicable  Not applicable

Unit: RMB Ten Thousand Yuan

Transaction party or ultimate controller	Asset acquired or bought in	Transaction price	Progress	Influence on the operation of the Company	Influence on the gains and losses of the Company	Ratio of the net profit contributed by the asset to the Company to the total profit	Related-party transaction or not	Relationship between the transaction party and the Company (applicable for related-party transactions)	Disclosure date	Disclosure index
STAR COMGISTIC CAPITAL CO., LTD.	Equity transfer	627.85	Had completed the relevant alternation procedures of the equity transfer commercial registration on 19 April 2016.	No	-392.97	-22.09%	Yes	Ultimate controlling company	21 April 2016	www.cninfo.com.cn

## 2. Sale of assets

Applicable  Not applicable

## 3. Business combination

1. On 2 March 2016, the Company set up a wholly-owned subsidiary—Xiamen Tsannkuen Home Appliance Design Co., Ltd. with a registered capital of RMB1 million.

2. On 24 April 2015, the Company held the 2015 2nd Board of Directors had approved the resolutions, of which the controlling subsidiary Zhangzhou Tsann Kuen Industrial Co., Ltd. (named “Zhangzhou Tsann Kuen” for short with the shareholding of 75%) and firstly set up the wholly owned subsidiary Orient Star Investments Limited (named “Orient Star Investments”) then secondly Orient Star Investments invested and purchased the 100% equities of the wholly owned subsidiary Tsannkuen Edge Intelligence Co., Ltd. (named “Tsannkuen Edge Intelligence” for short) of STAR COMGISTIC CAPITAL CO., LTD. (named “STAR COMGISTIC CAPITAL” for short). Orient Star Investments received the relevant letter about approving the purchase of the 100% equities of Tsannkuen Edge Intelligence from Taiwan competent authorities on 15 March 2016 and amount that STAR COMGISTIC CAPITAL received the purchase of the whole equities of Tsannkuen Edge Intelligence by Orient Star Investments on 21 March 2016 was of USD968,545.48. And had completed the relevant alternation procedures of the commercial registration of the equity transfer on 19 April 2016 and with the details, please refer to the Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 25 April 2015, the Correcting Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 28 April 2015, Announcement on the Completion of the Commercial Registration Procedures of the Hong Kong Wholly-owned Subsidiary of Zhangzhou Tsann Kuen that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 May 2015, Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Purchased Tsannkuen Edge Intelligence and the Progress of the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 March 2016 and the Announcement on the Completion of the Commercial Alternation Registration of the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen through the Purchase of Tsannkuen Edge Intelligence by Hong Kong Subsidiary that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 April 2016. According to No. 20 of ASBE - Enterprise Merger, the Transaction formed the enterprise merger under the same control and the main body was regarded as always exist in the previous periods after the merger. The combining party shall adjust the opening amounts and the amounts for the same period of last year of relevant items in the statements.

3. In order for operation, business and investment structure integration, on 27 January 2016, the board of the Company resolved to transfer its entire 62.5% stake in Tsann Kuen China (Shanghai) Enterprise Co., Ltd. (“TKS”) to TsannKuen (Zhangzhou) Enterprise

Co., Ltd. (“Zhangzhou Tsann Kuen”) for RMB0.13 billion, and the formalities of share transfer and business license alteration were completed on 24 May 2016. For details, please refer to the Announcement on Transfer of Stake in Controlled Subsidiary TKS dated 28 January 2016, the Announcement on Progress on Transfer of Stake in Controlled Subsidiary TKS dated 27 April 2016 and the Announcement on Completion of Business License Alteration Formalities of Transfer of Stake in Controlled Subsidiary TKS dated 25 May 2016, all disclosed on Securities Times, Hong Kong Ta Kung Pao and [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **VI. Implementation situation and influence of equity incentive plan of the Company**

Applicable  Not applicable

The Company had not involved with any equity incentive plan and its execution situation during the Reporting Period.



## VII. Significant related-party transactions

### 1. Related-party transactions relevant to routine operation

Unit: RMB Ten Thousand Yuan

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	Proportion in same kind of transactions (%)	Approved transaction quota	Whether exceeded the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Thermaster Electronic (Xiamen) Ltd.	Company directly controlled by actual controller and their close family members	Purchase of commodities from the related party	Purchase of raw parts	Based on the market price and both parties abide by the fair and reasonable principle	N/A	1,435.59	3.01	4,200.00	No	Settled according to the contract signed by both parties	N/A	15 March 2016	www.cninfo.com.cn
Tsann Kuen Enterprise Co., Ltd.	Under the control of the same actual controller	Purchase of commodities from the related party	Purchase of raw parts			1.23	0.00	0.00	Yes	N/A	N/A	N/A	N/A
Star Comgistic Capital Co., Ltd.	Ultimate controlling company	Sales of commodities to the related party	Sales of parts and finished products			786.47	1.02	1,800.00	No	Settled according to the contract signed by both parties	N/A	15 March 2016	www.cninfo.com.cn
Wu Wha Ma Restaurant Management Co., Ltd. in Xiamen	Investee of the ultimate controlling company	Provision of service for the related party	Rent			3.28	0.14	11.00	No				
Tsann Kuen Enterprise Co., Ltd.	Under the control of the same actual controller	Provision of labor service for the related party	Service income			2.04	100.00	0.00	Yes	N/A	N/A	N/A	N/A
Star Comgistic Capital Co., Ltd.	Ultimate controlling company	Provision of service by the related party	Rent			7.87	0.33	0.00	Yes				
Star International Travel Agency Co., Ltd.	Under the same ultimate controller	Provision of service by the related party	Plane ticket fee			16.71	29.70	0.00	Yes				
Total						2,253.19		6,011.00					
Details of large amount of sales returns				N/A									

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	Proportion in same kind of transactions (%)	Approved transaction quota	Whether exceeded the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
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				The related transactions above over the approved line was because controlled sub-subsidiary Orient Star Investments Limited acquired related party Star Comgistic Capital Co., Ltd.'s entire stake in Tsannkuen Edge Intelligence Co., Ltd. in this March, and the formerly non-related transactions between Tsannkuen Edge Intelligence and some related parties of the Company (these transactions had occurred before the equity transfer and are likely to continue) have become related transactions due to the equity transfer. The Company did not disclose an announcement on these transactions after the equity transfer because they were of a small amount (not reaching the disclosable standard).									
Reason for significant difference between the transaction price and the market price				N/A									

## 2. Related-party transactions regarding purchase and sales of assets

√ Applicable □ Not applicable

Unit: RMB Ten Thousand Yuan

Related party	Related relation	Type	Content	Pricing principle	Book value of the transferred assets	Assessed value of the transferred assets	Market fair value	Transfer price	Settlement method	Transaction gains and losses	Disclosure date	Disclosure index
STAR COMGISTIC CAPITAL CO., LTD.	Ultimate controlling company	Equity transfer	Equity transfer of the Tsann Kuen Edge Intelligence	Assessment	88.39	600.30	N/A	627.85	Settled according to the contract signed by both parties	-511.91	21 Apr. 2016	www.cninfo.com.cn
Reason for significant difference between the transaction price and the market price or the assessed price				Star Comgistic Capital Co., Ltd. set up a wholly-owned subsidiary—Tsann Kuen Edge Intelligence—on 4 March 2015 with a paid-up capital of NTD30 million (approximately RMB6.003 million). Zhangzhou Tsann Kuen, a controlled subsidiary of the Company, acquired the equity interests of Tsann Kuen Edge Intelligence through Orient Star Investments Limited, a wholly-owned subsidiary set up by Zhangzhou Tsann Kuen in Hong Kong. Zhangzhou Tsann Kuen, Orient Star Investments and Star Comgistic Capital signed the Agreement on Transfer of Equity Interests of Tsann Kuen Edge Intelligence Co., Ltd. on 24 April 2015, according to which Star Comgistic Capital would transfer the 100% equity of Tsann Kuen Edge Intelligence to Orient Star Investments for USD968,545.48. Orient Star Investments did not receive the acquisition approval from the Taiwan administration until 15 March 2016, and the Company actually combined the equity of Tsann Kuen Edge Intelligence on 31 March 2016. Since there is a period of nearly a year between the actual combination day and the contract signing day, a big difference occurs between the transfer price and the book value of Tsann Kuen Edge Intelligence.								
Influence situation on the operating results and the financial conditions of the Company				The net profits realized by Tsann Kuen Edge Intelligence from January to June of 2016 were of -3.9297 million and the net profits of 2015 of RMB-2.8158 million.								

**3. Related-party transitions with joint investments**

Applicable  Not applicable

**4. Significant credits and liabilities with related parties**

Applicable  Not applicable

Was there any non-operating credit or liability with any related party?

Yes  No

**5. Other related-party transactions**

Applicable  Not applicable

Unit: RMB Ten thousand Yuan

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	Proportion in same kind of transactions (%)	Approved transaction quota	Whether exceeded the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Star Comgistic Capital Co., Ltd.	Ultimate controlling company	Loan from the related party	Loan interest	Based on the market price and both parties abide by the fair and reasonable principle	N/A	1.42	10.12	0.00	Yes	Settled according to the contract signed by both parties	N/A	N/A	N/A
Tsann Kuen Enterprise Co., Ltd.	Under the control of the same actual controller	Sale of fixed assets to the related party	Sale of fixed assets to the related party			0.69	0.38	0.00	Yes				
Total						2.11		0.00					

Related party transactions interim report disclosure website

Name of interim report	Disclosure date	Name of the website
Announcement on 2016 Daily Related Party Transactions Plan	15 March 2016	www.cninfo.com.cn

**VIII. Occupation of the Company's funds for non-operating purposes by the controlling shareholder and its related parties**

Applicable  Not applicable

## IX. Significant contracts and execution

### 1. Particulars about trusteeship, contract and lease

#### (1) Trust

Applicable  Not applicable

#### (2) Contract

Applicable  Not applicable

#### (3) Lease

Notes of the leasing

Explanation of lease

The Proposal on Lease of Property & Related-party Transactions was reviewed and approved at the Fourth Session of the Board of Directors for 2011 dated 13 August 2011 and the First Special Shareholders' General Meeting for 2011 dated 16 September 2011, for details, please refer to the Announcement on Lease of Property & Related-party Transactions, Announcement on Resolutions Made at the Fourth Session of the Board of Directors for 2011 and Announcement on Resolutions Made at the First Special Shareholders' General Meeting for 2011 disclosed on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn>.

The Proposal on Change of Property Leasing Agreement & Related-party Transaction was reviewed and approved at the Second Special Session of the Board of Directors for 2012 dated 30 June 2012 and the Second Special Shareholders' General Meeting for 2012 dated 24 July 2012, for details, please refer to the Announcement on Change of Property Leasing Agreement & Related-party Transaction, Announcement on Resolutions Made at the Second Special Session of the Board of Directors for 2012 and Announcement on Resolutions Made at the Second Special Shareholders' General Meeting for 2012 disclosed on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn>;

The proposal on Lease of Property was received and approved at the First Session of the Board of Directors for 2013 dated 26 June 2013 and for details, please refer to the Announcement on Lease of Property, Announcement on Resolutions Made at the First Session of the Board of Directors for 2013 disclosed on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn>.

The lease whose profits reaching more than 10% of the total profits of the Company in the Reporting Period.

Applicable  Not applicable

Unit: RMB Ten Thousand Yuan

Name of contract-out party	Name of leaser	Status of leased assets	Involved amount of the leased assets	Initial date of leasing	Ending date of leasing	Rental income	Recognition basis of rental income	Influences of rental income on the Company	Related-party transaction or not	Relationship
Xiamen Tsann Kun (China) Enterprise Co., Ltd.	Tianyuan(Xiamen) Assets Management Co., Ltd.	Building and land	1,781.00	1 Jul. 2013	30 Sep. 2018	360.78	According to the contract price	20.28%	No	N/A

## **2. Guarantees provided by the Company**

Applicable  Not applicable

### **(1) Particulars about illegal external guarantee**

Applicable  Not applicable

The Company was not involved with any illegal external guarantee.

## **3. Other significant contracts**

Applicable  Not applicable

**4. Other significant transactions**

Applicable  Not applicable

**X. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period**

Applicable  Not applicable

Commitment	Commitment maker	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform					
Commitment in the acquisition report or the report on equity changes					
Commitments made upon the assets replacement					
Commitments made upon first issuance or refinance					
Other commitments made to minority shareholders	FILLMAN INVESTMENTS LIMITED	Based on the confidence on the continuous and stable development of the Company, it committed to increase the shareholding if the Company's stock price lower than HKD2.40 per share after the implementation of the shares contraction and trading resumption, and it would increase no more than 2% shares (i.e.3,707,800 shares ) of the total shares issued by the Company within one year since the date of initial shareholding increase. If the plan on increasing holding 2% shares of the total shares is completed, if the stock price hasn't reached the target price, it will perform relevant approval procedures, and propose to CSRC on continuous implementation of shareholding increase by exemption of offering.	28 Dec. 2012	Within one year since the date of initial shareholding increase	The Company's stocks resumed trading on 31 Dec. 2012, but the Company's stock price hasn't met the condition for shareholding increase since the date of trading resumption, FILLMAN Investment Limited hasn't implemented the shareholding increase plan.
Executed timely or not?	Yes				
Detailed reason for failing to execute and the next plan	The Company's stocks resumed trading on 31 December 2012, but the Company's stock price hasn't met the condition for shareholding increase since the date of trading resumption, FILLMAN Investment Limited hasn't implemented the shareholding increase plan.				

**XI. Particulars about engagement and disengagement of CPAs firm**

Has this semi-annual report been audited?

Yes  No

The semi-annual report had not been audited.

**XII. Particulars about punishment and rectification**

Applicable  Not applicable

The Company was not involved with any punishment and rectification

### **XIII. Delisting risk due to violation of any law or regulation**

Applicable  Not applicable

The Company was not involved with any risk due to violation of any law or regulation

### **XIV. Other significant events**

Applicable  Not applicable

On 15 March 2016, the “3.15” evening party held by CCTV that reported a product of the Company (model: TSK-2131GPN) on the unqualified situation among the state administration of quality supervision and spot check. Owing to the case, the stock of the Company suspended for a day on 16 May 2016 and after the “3.15” evening party, the Company immediately set up the Emergency project working group at that night as well as executed the follow-up product recall and the rectification work according to the requirements of the government quality inspection department. With the details disclosed by the Company on the Announcement on the Treatment of the Product Quality Problem and the Resumption of the Company’s Stock on Securities Times, Hong Kong Ta Kung Pao and [www.cninfo.com.cn](http://www.cninfo.com.cn) on 17 March 2016.

Up to now, the Company and the controlling subsidiary Zhangzhou Tsann Kuen had completed the recall of the products and the rectification as well as had submitted the relevant statements and the rectification report to the government quality inspection departments that still wait to be verified and the come out of the penalty scheme. The Company will timely disclose the information the time receiving the penalty documents.

## Section VI. Change in Shares & Shareholders

### I. Changes in shares

Unit: share

	Before the change		Increase/decrease in the change (+,-)					After the change	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Number	Proportion
I. Restricted shares	0	0.00%	0	0	0	0	0	0	0.00%
1. Shares held by the state									
2. Shares held by state-owned corporations									
3. Shares held by other domestic investors									
Among which: shares held by domestic corporations									
Shares held by domestic individuals									
4. Shares held by foreign investors									
Among which: Shares held by foreign corporations									
Shares held by foreign individuals									
II. Non-restricted shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
1. RMB ordinary shares									
2. Domestically listed foreign shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
3. Foreign capital stocks listed abroad									
4. Other									
III. Total shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%

Reasons for change in share capital

 Applicable  Not applicable

Particulars about the approval of the change in share capital

 Applicable  Not applicable

The transfer of change in share capital

 Applicable  Not applicable

Change in share capital's impacts on basic EPS and diluted EPS in recent year and recent issue, and net assets per share attributed to equity shareholder and financial index etc.

 Applicable  Not applicable

Other contents was necessary to the company or the securities regulators required to be disclosed

 Applicable  Not applicable

Changes of the Company's share number and structure, as well as the corresponding changes in its asset-liability structure

 Applicable  Not applicable

Changes of the Company's share number and structure, as well as the corresponding changes in its asset-liability structure



□ Applicable √ Not applicable

## II. Total number of shareholders and their shareholding

Notes: the names of the top 10 shareholders, the number of the shareholding and their sort which disclosed on the annual report based on the share register provided by the settlement company as the criterion. Besides, shares of the listed companies held by China Securities Finance Corporation Limited itself had been transferred to Central Huijian and the shares of the listed companies held through each public fund and brokerage information plan was not combined for calculation.

Unit: share

Total number of common shareholders at the end of the Reporting Period		17,272		Total number of preferred shareholders who had resumed their voting right at the end of the Reporting Period		0		
Particulars about shares held by common shareholders with a shareholding percentage over 5% or by the top ten common shareholders holding shares								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status of shares	Number of shares
FORDCHEE DEVELOPMENT LIMITED	Foreign corporation	29.10%	53,940,530	No change	0	53,940,530	N/A	0
EUPA INDUSTRY CORPORATION LIMITED	Foreign corporation	13.09%	24,268,840	No change	0	24,268,840	N/A	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	6.09%	11,293,881	-215,624	0	11,293,881	N/A	0
FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	4,621,596	No change	0	4,621,596	N/A	0
WU CHILI	Foreign individual	1.08%	2,000,100	32,100	0	2,000,100	N/A	0
CHEN YONGQUAN	Domestic individual	1.02%	1,888,819	No change	0	1,888,819	N/A	0
CHEN YONGQING	Foreign individual	0.77%	1,436,149	No change	0	1,436,149	N/A	0
CHEN LIJUAN	Foreign individual	0.69%	1,287,817	No change	0	1,287,817	N/A	0
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED	Foreign corporation	0.63%	1,170,051	120,300	0	1,170,051	N/A	0
DING XIAOLUN	Domestic individual	0.56%	1,029,900	No change	0	1,029,900	N/A	0
Strategic investor or general corporation becoming a top ten shareholder due to placing of new shares	N/A							
Related parties or acting-in-concert parties among the shareholders above	The first, the second and the fourth shareholders are the Company's corporate controlling shareholders. It is unknown whether the other shareholders of tradable shares are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company's Shareholders.							
Particulars about shares held by the top ten common shareholders holding shares not subject to trading moratorium								
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares						
		Type	Number					
FORDCHEE DEVELOPMENT LIMITED	53,940,530	Domestically listed foreign shares	53,940,530					
EUPA INDUSTRY CORPORATION LIMITED	24,268,840	Domestically listed foreign shares	24,268,840					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	11,293,881	Domestically listed foreign shares	11,293,881					

FILLMAN INVESTMENTS LIMITED	4,621,596	Domestically listed foreign shares	4,621,596
WU CHILI	2,000,100	Domestically listed foreign shares	2,000,100
CHEN YONGQUAN	1,888,819	Domestically listed foreign shares	1,888,819
CHEN YONGQING	1,436,149	Domestically listed foreign shares	1,436,149
CHEN LIJUAN	1,287,817	Domestically listed foreign shares	1,287,817
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED	1,170,051	Domestically listed foreign shares	1,170,051
DING XIAOLUN	1,029,900	Domestically listed foreign shares	1,029,900
Explanation on associated relationship or/and persons acting in concert among the top ten common tradable shareholders and between the top ten tradable shareholders and the top ten common shareholders	The first, the second and the fourth shareholders are the Company's corporate controlling shareholders. It is unknown whether the other shareholders of tradable shares are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company's Shareholders.		
Explanation on the top 10 common shareholders participating in the margin trading business	N/A		

Whether the shareholders of a company conducted the transaction of repurchase under the agreement during the Reporting Period

Yea  No

No such situation of the Company during the Reporting Period.

### III. Change of the controlling shareholder or the actual controller

Change in controlling shareholder in the Reporting Period

Applicable  Not applicable

There was no any change of the controlling shareholder in the Reporting Period.

Change of the actual controller during the Reporting Period

Applicable  Not applicable

There was no any change of the actual controller during the Reporting Period.

### IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons

Applicable  Not applicable

To the best knowledge of the Company, no shareholder or its act-in-concert party proposed or implemented any shareholding increase plan during the Reporting Period.

## Section VII. Preference Shares

Applicable  Not applicable

There was no preference stock during the Reporting Period.

## Section VIII. Directors, Supervisors, Senior Management Staff & Employees

### I. Changes in shareholding of directors, supervisors and senior management staff

Applicable  Not applicable

There was no change in shareholding of directors, supervisors and senior management staffs, for the specific information please refer to the 2015 Annual Report.

### II. Change of directors, supervisors and senior management staff

Applicable  Not applicable

Name	Position	Type	Date	Reason
Yang Yusheng	Employee Representative Supervisors	Left	31 May 2016	Personal reason
Zheng Caiyun	Employee Representative Supervisors	Elected	31 May 2016	Succeed the former Employee Representative Supervisors

## **Section IX. Financial Report**

### **I. Auditor's Report**

The auditor's report had not audited.

### **II. Financial report (attached)**

1. Balance sheet
2. Income statement
3. Cash flow statement
4. Statement of Change in Owners' Equity
5. Notes to the Financial Statements

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

1. Text of Semi-annual Report 2016 signed and sealed by the Board of Directors of the Company.
2. Financial statements signed and sealed by legal representative, principal of accounting work, and manager of finance department.
3. In the reporting period, all texts and originals of the Company's documents and public notices have been publicly disclosed in China Securities Journal, Hong Kong Ta Kung Pao and [www.cninfo.com.cn](http://www.cninfo.com.cn) designated by CSRC.

Tsann Kuen (China) Enterprise Co., Ltd.

Board Chairman: Pan Zhirong

11 August 2016

**1. Consolidated balance sheet**

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	554,281,467.86	756,223,544.72
Settlement reserves		
Intra-group lendings		
Financial assets measured at fair value of which changes are recorded in current profits and losses	27,300.00	
Derivative financial assets		
Notes receivable	3,388,917.00	1,483,710.00
Accounts receivable	212,505,897.39	219,609,267.40
Accounts paid in advance	12,002,139.01	16,919,366.87
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	1,010,711.98	1,135,305.55
Dividend receivable		
Other accounts receivable	25,608,750.65	50,308,515.39
Financial assets purchased under agreements to resell		
Inventories	201,107,063.72	264,377,787.95
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	238,495,735.19	89,858,232.99
Total current assets	1,248,427,982.80	1,399,915,730.87
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	40,000.00	40,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment		
Investing real estate	43,851,356.22	46,185,216.68
Fixed assets	179,319,453.10	177,049,198.02
Construction in progress	396,547.71	210,796.20
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	16,522,261.34	14,136,233.55
R&D expense		
Goodwill		
Long-term deferred expenses	3,314,390.23	3,874,638.99
Deferred income tax assets	14,249,117.01	14,981,243.65
Other non-current assets	1,991,186.65	6,264,771.15
Total of non-current assets	259,684,312.26	262,742,098.24

Item	Closing balance	Opening balance
Total assets	1,508,112,295.06	1,662,657,829.11
Current liabilities:		
Short-term borrowings	70,831,265.19	
Borrowings from Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-group borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses	2,844,750.00	8,462,500.00
Derivative financial liabilities		
Notes payable	19,566,032.81	26,974,641.74
Accounts payable	397,421,000.82	575,930,730.06
Accounts received in advance	13,508,900.09	15,828,556.71
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	37,455,385.68	43,460,873.84
Tax payable	4,395,473.50	6,158,817.21
Interest payable	140,337.30	
Dividend payable		
Other accounts payable	53,621,853.04	65,108,735.70
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	599,784,998.43	741,924,855.26
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities	251,973.01	242,702.95
Other non-current liabilities		
Total non-current liabilities	251,973.01	242,702.95
Total liabilities	600,036,971.44	742,167,558.21
Owners' equity:		
Share capital	185,391,680.00	185,391,680.00
Other equity instruments		
Of which: preferred shares		

Item	Closing balance	Opening balance
Perpetual bonds		
Capital reserves	296,808,965.78	282,916,698.67
Less: Treasury stock		
Other comprehensive income	4,773,167.33	3,231,050.04
Specific reserves		
Surplus reserves	20,962,521.51	20,962,521.51
Provisions for general risks		
Retained profits	68,773,093.67	69,522,460.31
Total equity attributable to owners of the Company	576,709,428.29	562,024,410.53
Minority interests	331,365,895.33	358,465,860.37
Total owners' equity	908,075,323.62	920,490,270.90
Total liabilities and owners' equity	1,508,112,295.06	1,662,657,829.11

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

## 2. Balance sheet of the Company

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	9,319,102.63	7,750,025.58
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	3,388,917.00	589,835.00
Accounts receivable	40,584,038.43	23,997,156.18
Accounts paid in advance	558,317.48	1,202,214.48
Interest receivable		
Dividend receivable		
Other accounts receivable	687,548.83	3,010,844.58
Inventories	10,594,430.18	11,151,650.93
Assets held for sale		
Non-current assets due within 1 year		
Other current assets		55,278.38
Total current assets	65,132,354.55	47,757,005.13
Non-current assets:		
Available-for-sale financial assets	40,000.00	40,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	922,914,701.56	985,814,030.83
Investing real estate	37,281,156.77	38,994,677.59
Fixed assets	2,141,343.10	2,328,116.94
Construction in progress		
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	96,749.99	110,249.99
R&D expense		
Goodwill		
Long-term deferred expenses	237,866.27	405,866.33
Deferred income tax assets	1,888,611.05	18,053,868.00
Other non-current assets		
Total of non-current assets	964,600,428.74	1,045,746,809.68
Total assets	1,029,732,783.29	1,093,503,814.81
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable		



Item	Closing balance	Opening balance
Accounts payable	55,693,533.66	66,922,540.32
Accounts received in advance	7,566,416.65	2,664,965.52
Payroll payable	1,921,025.78	3,390,321.73
Tax payable	1,576,834.95	966,665.47
Interest payable		
Dividend payable		
Other accounts payable	331,603,730.32	461,663,363.89
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	398,361,541.36	535,607,856.93
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	398,361,541.36	535,607,856.93
Owners' equity:		
Share capital	185,391,680.00	185,391,680.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	271,490,289.82	271,490,289.82
Less: Treasury stock		
Other comprehensive income		
Specific reserves		
Surplus reserves	20,962,521.51	20,962,521.51
Retained profits	153,526,750.60	80,051,466.55
Total owners' equity	631,371,241.93	557,895,957.88
Total liabilities and owners' equity	1,029,732,783.29	1,093,503,814.81

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

### 3. Consolidated income statement

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Total operating revenues	798,108,689.27	895,194,158.07
Including: Sales income	798,108,689.27	895,194,158.07
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	776,558,722.21	891,680,907.49
Including: Cost of sales	662,817,165.10	771,483,297.01
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	2,975,879.16	3,084,362.18
Selling and distribution expenses	40,742,161.54	41,124,129.32
Administrative expenses	80,750,640.07	84,091,122.62
Financial expenses	-9,966,312.52	-9,205,737.43
Asset impairment loss	-760,811.14	1,103,733.79
Add: Gain/(loss) from change in fair value (“-” means loss)	5,645,050.00	8,800,909.85
Gain/(loss) from investment (“-” means loss)	-4,434,437.95	6,030,668.82
Including: share of profits in associates and joint ventures		
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	22,760,579.11	18,344,829.25
Add: non-operating income	4,349,049.40	3,229,489.17
Including: Gains on disposal of non-current assets	542,527.01	909,792.35
Less: non-operating expense	61,724.97	118,195.62
Including: Losses on disposal of non-current assets	17,353.82	117,195.62
IV. Total profit (“-” means loss)	27,047,903.54	21,456,122.80
Less: Income tax expense	2,757,325.93	3,300,757.78
V. Net profit (“-” means loss)	24,290,577.61	18,155,365.02
Net profit attributable to owners of the Company	17,789,801.36	14,297,544.70
Minority shareholders' income	6,500,776.25	3,857,820.32
VI. After-tax net amount of other comprehensive incomes	2,056,156.39	-177,739.09
After-tax net amount of other comprehensive incomes attributable to owners of the Company	1,542,117.29	-133,304.32
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	1,542,117.29	-133,304.32

Item	Reporting period	Same period of last year
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	1,542,117.29	-133,304.32
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders	514,039.10	-44,434.77
VII. Total comprehensive incomes	26,346,734.00	17,977,625.93
Attributable to owners of the Company	19,331,918.65	14,164,240.38
Attributable to minority shareholders	7,014,815.35	3,813,385.55
VIII. Earnings per share		
(I) Basic earnings per share	0.10	0.08
(II) Diluted earnings per share	0.10	0.08

Where business mergers under the same control occurred in this reporting period, the net profit achieved by the merged parties before the business mergers was RMB-2,224,231.59, with the corresponding amount for the last period being RMB-1,084,640.64.

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

#### 4. Income statement of the Company

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Total sales	64,284,182.16	78,674,806.46
Less: cost of sales	51,411,479.65	64,075,734.45
Business taxes and surcharges	376,508.47	527,918.58
Distribution expenses	4,712,679.84	4,199,997.82
Administrative expenses	6,407,301.54	7,324,578.11
Financial costs	9,027.92	486,155.88
Impairment loss	904,000.92	-272,850.93
Add: gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	107,582,142.80	28,286,287.22
Including: income from investment on associates and joint ventures		
II. Business profit ("-" means loss)	108,045,326.62	30,619,559.77
Add: non-operating income	173,232.50	59,844.56
Including: Gains on disposal of non-current assets		
Less: non-operating expense		
Including: Losses on disposal of non-current assets		
III. Total profit ("-" means loss)	108,218,559.12	30,679,404.33
Less: Income tax expense	16,204,107.07	870,477.13
IV. Net profit ("-" means loss)	92,014,452.05	29,808,927.20
V. After-tax net amount of other comprehensive incomes		
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses		
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI. Total comprehensive incomes	92,014,452.05	29,808,927.20
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

## 5. Consolidated cash flow statement

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	799,779,397.11	891,092,475.23
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	107,484,793.44	96,320,391.21
Other cash received relating to operating activities	34,806,311.83	31,020,138.26
Subtotal of cash inflows from operating activities	942,070,502.38	1,018,433,004.70
Cash paid for goods and services	764,993,901.10	829,124,687.36
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	123,885,869.23	135,904,623.96
Various taxes paid	12,713,941.82	12,754,903.38
Other cash payment relating to operating activities	100,648,796.52	91,877,265.46
Subtotal of cash outflows from operating activities	1,002,242,508.67	1,069,661,480.16
Net cash flows from operating activities	-60,172,006.29	-51,228,475.46
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	-4,442,911.95	112,655,468.82
Cash received from return on investments		1,343,333.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,830,678.69	2,448,937.97
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	75,400,000.00	652,082,700.00
Subtotal of cash inflows from investing activities	76,787,766.74	768,530,440.12
Cash paid to acquire fixed assets, intangible assets and other long-term assets	30,738,906.49	29,810,368.25
Cash paid for investment	156,278,499.22	332,554,673.33
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	169,327,000.00	651,316,932.63

Item	Reporting period	Same period of last year
Subtotal of cash outflows from investing activities	356,344,405.71	1,013,681,974.21
Net cash flows from investing activities	-279,556,638.97	-245,151,534.09
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings	65,128,000.00	432,643,240.17
Cash received from issuance of bonds		
Other cash received relating to financing activities	4,519,265.19	
Subtotal of cash inflows from financing activities	69,647,265.19	432,643,240.17
Repayment of borrowings		197,354,358.17
Cash paid for interest expenses and distribution of dividends or profit	32,363,500.69	36,902,959.60
Including: dividends or profit paid by subsidiaries to minority shareholders	13,824,332.69	8,495,712.79
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	32,363,500.69	234,257,317.77
Net cash flows from financing activities	37,283,764.50	198,385,922.40
IV. Effect of foreign exchange rate changes on cash and cash equivalents	6,575,803.90	-1,718,594.15
V. Net increase in cash and cash equivalents	-295,869,076.86	-99,712,681.30
Add: Opening balance of cash and cash equivalents	675,803,904.11	469,965,448.01
VI. Closing balance of cash and cash equivalents	379,934,827.25	370,252,766.71

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

## 6. Cash flow statement of the Company

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Reporting period	Same period of last year
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of commodities and rendering of service	54,541,061.46	70,974,247.92
Tax refunds received		
Other cash received relating to operating activities	21,305,861.45	23,173,816.87
Subtotal of cash inflows from operating activities	75,846,922.91	94,148,064.79
Cash paid for goods and services	69,402,417.98	66,918,834.13
Cash paid to and for employees	7,241,953.89	6,395,528.78
Various taxes paid	2,112,861.45	2,757,295.68
Other cash payment relating to operating activities	147,433,841.45	17,263,059.96
Subtotal of cash outflows from operating activities	226,191,074.77	93,334,718.55
Net cash flows from operating activities	-150,344,151.86	813,346.24
<b>II. Cash flows from investing activities:</b>		
Cash received from retraction of investments	130,000,000.00	
Cash received from return on investments		28,286,287.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	130,000,000.00	28,286,287.22
Cash paid to acquire fixed assets, intangible assets and other long-term assets	13,798.00	119,052.90
Cash paid for investment	1,000,000.00	
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	1,013,798.00	119,052.90
Net cash flows from investing activities	128,986,202.00	28,167,234.32
<b>III. Cash Flows from Financing Activities:</b>		
Cash received from capital contributions	41,472,998.07	
Cash received from borrowings		
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	41,472,998.07	
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	18,539,168.00	27,883,693.93
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	18,539,168.00	27,883,693.93
Net cash flows from financing activities	22,933,830.07	-27,883,693.93
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>	-6,803.16	-8,848.67
<b>V. Net increase in cash and cash equivalents</b>	1,569,077.05	1,088,037.96
Add: Opening balance of cash and cash equivalents	7,750,025.58	3,236,270.65
<b>VI. Closing balance of cash and cash equivalents</b>	9,319,102.63	4,324,308.61

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

## 7. Consolidated statement of changes in owners' equity

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Reporting period												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	185,391,680.00				282,916,698.67		3,231,050.04		20,962,521.51		69,522,460.31	358,465,860.37	920,490,270.90
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	185,391,680.00				282,916,698.67		3,231,050.04		20,962,521.51		69,522,460.31	358,465,860.37	920,490,270.90
III. Increase/ decrease in the period ("-" means decrease)					13,892,267.11		1,542,117.29				-749,366.64	-27,099,965.04	-12,414,947.28
(I) Total comprehensive incomes							1,542,117.29				17,789,801.36	7,014,815.34	26,346,733.99
(II) Capital increased and reduced by owners													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Other													
(III) Profit distribution											-18,539,168.00	-13,824,332.69	-32,363,500.69
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-18,539,168.00	-13,824,332.69	-32,363,500.69
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other					13,892,267.11							-20,290,447.69	-6,398,180.58
IV. Closing balance	185,391,680.00				296,808,965.78		4,773,167.33		20,962,521.51		68,773,093.67	331,365,895.33	908,075,323.62



Unit: RMB Yuan

Item	Same period of last year												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	185,391,680.00				278,458,862.55		-899,380.20		16,400,043.27		67,223,203.93	355,434,123.03	902,008,532.58
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	185,391,680.00				278,458,862.55		-899,380.20		16,400,043.27		67,223,203.93	355,434,123.03	902,008,532.58
III. Increase/ decrease in the period ("-" means decrease)					4,457,836.12		4,130,430.24		4,562,478.24		2,299,256.38	3,031,737.34	18,481,738.32
(I) Total comprehensive incomes							4,130,430.24				34,670,486.62	11,219,804.63	50,020,721.49
(II) Capital increased and reduced by owners													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Other													
(III) Profit distribution									4,562,478.24		-32,371,230.24	-9,439,680.90	-37,248,432.90
1. Appropriations to surplus reserves									4,562,478.24		-4,562,478.24		
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-27,808,752.00	-9,439,680.90	-37,248,432.90
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other					4,457,836.12							1,251,613.61	5,709,449.73
IV. Closing balance	185,391,680.00				282,916,698.67		3,231,050.04		20,962,521.51		69,522,460.31	358,465,860.37	920,490,270.90

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

## 8. Statement of changes in owners' equity of the Company

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

Unit: RMB Yuan

Item	Reporting period										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	185,391,680.00				271,490,289.82				20,962,521.51	80,051,466.55	557,895,957.88
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	185,391,680.00				271,490,289.82				20,962,521.51	80,051,466.55	557,895,957.88
III. Increase/ decrease in the period ("-" means decrease)										73,475,284.05	73,475,284.05
(I) Total comprehensive incomes										92,014,452.05	92,014,452.05
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution										-18,539,168.00	-18,539,168.00
1. Appropriations to surplus reserves											
2. Appropriations to owners (or shareholders)										-18,539,168.00	-18,539,168.00
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV. Closing balance	185,391,680.00				271,490,289.82				20,962,521.51	153,526,750.60	631,371,241.93

Unit: RMB Yuan

Item	Same period of last year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	185,391,680.00				271,489,596.88				16,400,043.27	66,797,914.40	540,079,234.55
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	185,391,680.00				271,489,596.88				16,400,043.27	66,797,914.40	540,079,234.55
III. Increase/ decrease in the period ("-" means decrease)					692.94				4,562,478.24	13,253,552.15	17,816,723.33
(I) Total comprehensive incomes										45,624,782.39	45,624,782.39
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution									4,562,478.24	-32,371,230.24	-27,808,752.00
1. Appropriations to surplus reserves									4,562,478.24	-4,562,478.24	
2. Appropriations to owners (or shareholders)										-27,808,752.00	-27,808,752.00
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other					692.94						692.94
IV. Closing balance	185,391,680.00				271,490,289.82				20,962,521.51	80,051,466.55	557,895,957.88

Legal representative: Pan Zhirong

Person-in-charge of the accounting work: Feng Zhiqing

Chief of the accounting division: Feng Zhiqing

## **Tsann Kuen (China) Enterprise Co., Ltd.**

### **Annotation of 30 Jun. 2016**

**(All amounts are expressed, unless otherwise stated, in Renminbi (CNY).)**

#### **I. Company Profile**

Tsann Kuen (China) Enterprise Co., Ltd. (hereafter “the Company or TKC”) was established in the People’s Republic of China (“the PRC”) in 1988 as a wholly owned foreign investment enterprise, the Company named in Tsann Kuen China (Xiamen) Ltd. firstly, invested by the Fordchee (Hong Kong) Co., Ltd., EUPA Industry Corporation Limited and Hong Kong Fillman Investment Co., Ltd.. On 16 February 1993, with the approval of the Ministry of Foreign Trade and Economic Co-operation, the Company was reorganized into an incorporated company and was renamed as Tsann Kuen (China) Enterprise Co., Ltd. In June 1993, the Company issued 40,000,000 new shares pursuant to an international placing and public offer and these new shares (“B shares”) were then listed on the Shenzhen Stock Exchange on 30 June 1993. In according to the 5th special Board of Director in 2012, “Bill about Implementation of Drawing back Share” authorized by third special General Meeting in 2012, document XTCS[2012] NO.698 “Subscriptions about Reduction of Capital of TSANN KUEN (CHINA) ENTERPRISE CO., LTD. Authorized by Xiamen Investment Promotion Bureau” authorized by Commerce Department, the Company used the general capital of 1,112,350,077 shares as base number implementing the plan of share reduction at the ratio of 1:6 to all the register share holders in 28 December 2012. Upon the completion of share reduction, the general capital of the Company reduced from 1,112,350,077 shares to 185,391,680 shares. By 30 June 2016, the registered capital of the Company decreased to RMB185,391,680.

Follow The Ministry of Commerce of the People’s Republic of China approved (The No. [2005] 3107 <Agreed in principle to the Ministry of Commerce on Tsann Kuen (China) Enterprise Co., Ltd. shares traded sponsor of the approval>), On December 6, 2006, the Company received the [2006] No. 266 file <The notice of Tsann Kuen (China) Enterprise Co., Ltd concerning the approval of non-listed foreign shares traded> from China Securities Regulatory Commission. The China Securities Regulatory Commission agreed 700,476,830 unlisted shares (account for 62.97% of the share capital) hold by the Company’s shareholders, EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited to transfer into B shares. In November 29, 2007 these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to 30 June 2016, total B shares hold by the three legal shareholders (EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited) are 82,830,966 shares. (account for 44.68% of the share capital).

Legal representative: Pan, Zhirong

Place of registration: No.88 Xinglong Road, Huli Industrial District, Xiamen, Fujian Province

The parent: Star Comgistic Capital Co. Ltd.

The Company operates within the electrical machinery and equipment manufacturing industry.

The industry of the company: electrical machinery and equipment manufacturing.

The approved business scope: the main business is to develop, manufacture household appliances, electronics, light industrial products, modern office supplies. Design and manufacture of molds associated with these products in domestic and international sales of the company’s products and after-sales service. Wholesale and retail household appliances, electronic products, electrical equipment, office supplies, kitchen utensils, pre-packaged food (limited to branches), import and export related business and provide after-sales service (the above description do not involve state trading commodity goods, involving quota license management products are according to the relevant provisions of the State for the regulations application).

The Financial Report approved by the Board of the Directors of the Company and disclosed on 11 August 2016.

There were 9 subsidiaries be included in 2016 of the Company with the details in Notes VIII “Equities among other entities”. The consolidated scope of the Reporting Period increase 2 subsidiaries of the Company without any decrease, as for the details, please refer to Notes VII “Changes of scope of consolidation financial statements”.

## **II. Basis for preparation of the financial statements**

The financial statements of company have been prepared on basis of going concern in conformity with Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People’s Republic of China (Ministry of Finance issued order No. 33, the Ministry of Finance revised order No. 76) on 15 February 2006, and revised Accounting Standards (order 41 of the Ministry of Finance) 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 company has adopted the accrual basis of accounting. Except for certain financial instruments which are measured by at fair value, the Company 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 company 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 result and cash flow of the Company as of 30 June 2016. In addition, the financial statements of the company comply, in all material respects, with the revised disclosing requirements for financial statements and the 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**

The Company and subsidiaries are principally engaged in the production and operation. The Company and subsidiaries in accordance with the actual production and management features, according to the relevant provisions of Accounting Standards, to make a number of specific accounting policies and accounting estimates for other transactions and events of revenue recognition, see Note IV. 21 “Revenue” for the description. For description of significant accounting judgments and estimates made by management, see Note IV. 25 “Significant accounting judgments and estimates”.

### **1. Accounting period**

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

### **2. Operating cycle**

Normal business cycle is realized by the Company in cash or cash equivalents from the purchase of assets for processing until. The company has a 12 -month operating cycle, and its assets and liabilities as liquidity criteria for the classification.

### 3. Monetary Unit

Yuan (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose CNY as their functional currency, the overseas subsidiaries decide the HKD or USD as their functional currency in accordance with the business in which currency of the primary economic environment. The Company adopts CNY to prepare its functional statements.

### 4. Business combination

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 amounts as recorded by the enterprise being combined at the combination date. The difference 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 adjusted.

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 difference 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.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (Cai-Kuai [2012] No. 19) and Article 55 of "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements" on the "package deal" criterion (see Note IV. 5. 2), to judge the multiple exchange transactions whether they are the "package deal". If it belong to the "package deal" in reference to the preceding paragraphs of this section and the Notes described in 4.11 "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income).

In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

## 5. Preparation of the consolidated financial statements

### (1) The scope of consolidation

The scope of consolidation for 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 Company and all of the subsidiaries. Subsidiary is an enterprise or entity under the control of the Company.

Once the change in the relevant facts and circumstances leading to the definition of the relevant elements involved in the control of the change, the company will be re-evaluated.

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

The subsidiary of the Company 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 Company, 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 subsidiary 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 Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company'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 reconciliated 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 Company are presented separately in the consolidated balance sheet within shareholders'/ owners' 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 shareholders'/equity of the subsidiary, the excess is allocated against the minority interests.

When the Company 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. Other comprehensive income related to the former subsidiary's equity



investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost(i.e., in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). 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”. See Note IV. 11 Long-term equity investments and Note IV. 8 Financial instruments for details.

The company through multiple transactions step deals with disposal of the subsidiary’s equity investment until the loss of control, need to distinguish between equity until the disposal of a subsidiary’s loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal: ① these transactions are considered simultaneously, or in the case of mutual influence made, ② these transactions as a whole in order to achieve a complete business results; ③ the occurrence of a transaction depends on occurs at least one other transaction; ④ a transaction look alone is not economical, but when considered together with other transaction is economical. If they does not belong to the package deal, each of them separately, as the case of a transaction in accordance with “without losing control over the disposal of a subsidiary part of a long-term equity investments“ (see Note IV. 11. 2, 4) and “due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original” (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary ‘s investment corresponding to the difference between the disposal, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

## **6. Recognition standard of cash and cash equivalent**

Cash and cash equivalents of the Company 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.

## **7. Translation of foreign currency operation and foreign currency statement**

### **(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**

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ① those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ② hedging accounting, the exchange difference related to hedging instruments for the purpose of net oversea operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items,

③available-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.

(3) The translation of financial statement in foreign currency

When the consolidated financial statements include foreign operation(s), if there is a foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as “exchange differences arising on translation of financial statements denominated in foreign currencies” in owner’s equity, and in profit or loss for the period upon disposal of the foreign operation.

The Group translates the financial statements of its foreign operations into CNY by following rules. Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items occur; income and expenses in income statement are translated at the spot exchange rates at the date of transaction; the opening retained earnings is the closing retained earnings of the last period after translation; the closing balance of retained earnings is calculates and presented in the basis of each translated income statements and profit distribution item; the difference arising between the assets and liabilities and shareholders’ equity shall be booked as translation difference of foreign currency statements, and shall be presented as a separate component of equity in the balance sheet. On a loss of control over Group’s oversea operation due to disposal, the Company transfers the accumulated or proportionate share of the accumulated exchange difference arising on translation of financial statements of this oversea operation attributable to the owners’ equity of the Company and presented under shareholders’ equity, to profit or loss in the period in which the disposal occurs.

Foreign currency cash flows and cash flow of oversea subsidiaries are translated at the spot exchange rates on the date of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

The opening and actual amount of last year are presented in the financial statement after translation.

At the disposal of all of the company’s ownership interest in a foreign operation, or due to the disposal of part of the equity investment or other reasons, the loss of control over a foreign operation, the project owner’s equity in the balance sheet listed under the relevant overseas operations attributable to statements of the parent company ‘s shareholders’ equity of foreign currency translation differences, all transferred to the disposal of the income statement.

At the disposal of part of the equity investment or other causes lower hold percentage overseas business interests, but does not lose control over a foreign operation, and disposal of the foreign operation section related to foreign currency translation differences attributable to minority interests, is not transferred to the income statement. At the disposal of a foreign operation as part of the equity joint venture or joint ventures, foreign currency financial statements of the foreign operation and the associated translation difference in proportion to dispose of the foreign operation into the disposal of the income statement.

## **8. Financial instruments**

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current

period and for other categories of financial assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

#### (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 Company 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 Company 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.

The Company measures initially and subsequently the fair value of an interest rate swap at the value of a competitor's interest rate swap quoted by a recognized financial institution as at the Company's balance sheet date in accordance with the principle of consistency.

#### (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 Company'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 personnel. 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 Company 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 Company 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 Company shall carry out an inspection, on each balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

The Company 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.

### 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

Where the fair value of the equity instrument investment drops significantly or not contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired.

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.

#### ② Other financial liabilities

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

#### (6) Derecognition of financial liabilities

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 Company (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 Company 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

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

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

When the Company 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 Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

## 9. Receivables

The receivables by the Company include 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.

Individual receivables equal to or higher than 10Proportion receivables are classified as receivables of individual significance.

For an account receivable that is individually significant, the asset is individually assessed for 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.

- 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:

Item	Basis
Age portfolios	Age condition
Related party portfolios	Related party relationship

B. Provision by credit risk characteristics

During the Company 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.

Provision for different portfolios:

Item	Provision
Age portfolios	Age analysis method
Related party portfolios	No allowance for bad debt, Unless the related party is insolvent

a. Portfolio by age analysis

Category	Proportion for accounts receivable (%)	Proportion for other receivable (%)
1—90 days	0.00	0.00
91—180 days	10.00	10.00
181—270 days	30.00	30.00

271 – 365 days	50.00	50.00
Over 365 days	100.00	100.00

#### b. Adopt other methods for recognition of impairment allowances

Group name	Proportion for accounts receivable (%)	Proportion for other receivable (%)
Related party group	0.00	0.00

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

For the account receivables not individually significant, the Company 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 examples: receivables of individual insignificance bears differing credit risk characteristics to other receivables of individual insignificance 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.

### 10. Inventories

#### (1) Classification of inventory

Inventories are classified into materials in transit, raw materials, work-in-progress, finished goods, materials and goods of consignment and revolving materials etc.

#### (2) Valuation method of inventories

Inventories are initially carried at the planned cost, to record the difference between planned cost and actual cost through the cost variances account, and carryover the cost variances of issued inventory on schedule, to adjust the planned cost to actual cost. Cost of issue is measured using the weighted average method.

#### (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 determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories,

Provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other



items in that product line provision for decline in value is determined on an aggregate basis.

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) The perpetual inventory system is maintained for stock system.

(5) Amortization method for low cost and short-lived consumable items and packaging materials.

Low cost and short-lived consumable items are amortized using immediate write-off method, packaging materials are amortized using immediate write-off method.

## 11. Long-term equity investments

Long-term equity investments referred to in this section refer to the Company invested entity has control, joint control or significant influence over the long-term equity investments. The Company invested does not have control, joint control or significant influence over the long-term equity investments as financial assets available for sale or at fair value and the changes included financial assets through profit or loss, which refer to the accounting policies in Note IV. 8 “financial Instruments”.

Joint control is the Company control over an arrangement in accordance with the relevant stipulations are common, related activities and the arrangement must be after sharing control participants agreed to the decision-making. Significant influence is the Company’s financial and operating policies of the entity has the right to participate in decision-making, but can not control or with other parties joint control over those policies.

### (1) Determination of Investment cost

The cost of a long-term equity investment acquired through business combination under common control is measured at the acquirer’s share of the combination date book value of the acquiree’s net equity in the ultimate controller’s consolidated financial statements. The difference between the cost and book value of cash paid, non-monetary assets transferred and liabilities assumed is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. If the consideration is transferred by way of issuing equity instruments, the face value of the equity instruments issued is recognised in share capital and the difference between the costs of the face value of the equity instruments issued is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Where a business combination under common control is achieved by multiple acquisition of the acquiree’s shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the difference between the cost of combination and the sum of the book value of the investment in the acquiree immediately before the combination and the book value of the consideration transferred to acquire additional shareholding is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Cumulative other comprehensive income associated with the investment recognised as a result of the treatment of equity method or available-for-sale financial assets prior to the combination is not affected by the combination.

The cost of a long-term equity investment acquired through business combination not under common control is the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued. Where a business combination not under common control is achieved by multiple acquisition of the acquiree’s shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed

as one single transaction, the cost of combination is measured at the sum of book value of the investment in the acquiree immediately before the combination and cost of acquisition of additional shareholding. If the investment prior to the combination is measured by fair value, cumulative other comprehensive income associated with the investment prior to the combination is not affected by the combination. If the investment prior to the combination is measured as an available-for-sale financial asset, the difference between the fair value and the book value of the investment immediately before the combination and the associated cumulative other comprehensive income recognised prior to the combination are carried to profit or loss.

All expenses incurred directly associated with the acquisition by the acquirer, including expenditure of audit, legal services, valuation and consultancy and other administrative expenses, are recognised in profit or loss for the period during which the acquisition occurs.

Long-term equity investments acquired not through business combination are measured at cost on initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. The cost of a long-term equity investment, which enables the Company, has significant influence or joint control over the acquiree which is achieved through additional investment, is measured as the fair value determined in accordance with CAS 22 - Financial Instruments: Recognition and Measurement plus the cost of additional investment.

## (2) Subsequent measurement

To be invested joint control (except constitute common operator) or long-term equity investments significant influence are accounted for using the equity method. In addition, the Company's financial statements using the cost method of accounting for long-term equity can exercise control 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.

The carrying amount of a long-term equity investment measured using the equity method is adjusted by the Company's share of the investee's net profit and other comprehensive income, which is recognized as investment income and other comprehensive income respectively. The carrying amount of a long-term equity investment measured using the equity method is reduced by profit distribution or cash dividends announced by the investee. The carrying amount of a long-term equity investment measured using the equity method is also adjusted by the investee's equity movement other than net profit, other comprehensive income and profit distribution, which is adjusted to capital reserves. The net profit of the investee is adjusted by the fair value of the investee's identifiable assets as at acquisition. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of unrealized profit or loss arising from related party transactions between the Company and an associate or joint venture is deducted from investment income.

Unrealized loss arising from related party transactions between the Company and an associate or joint venture which is associated with asset impairment is not adjusted. Where assets transferred to an associate or joint venture which form part of the Company's investment in the investee but which does not enable the Company obtain control over the investee, the cost of the additional investment acquired is measured at the fair value of assets transferred and the difference between the cost of the additional investment and the book value of the assets transferred is recognized in profit or loss. Where assets transferred to an associate or joint venture form an operation, the difference between the consideration received and the book value of the assets transferred is recognized in profit or loss. Where assets transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is recognized in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees. Where the Company has obligation to share additional net loss of the investee, the estimated share of loss would be recognized as accrued liabilities and investment loss. Where the Company has unrecognized share of loss of the investee when the investee generates net profit, the Company's unrecognized share of loss is reduced by the Company's share of net profit and when the Company's unrecognized share or loss is eliminated in full, the Company's share of net profit, if any, is recognized as investment income.

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

#### ③ Acquisition of minority interest

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

#### ④ Disposal of long-term equity investment

Where the parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note IV. 5. (2) applies. For disposal of long-term equity investments in any situation other than the fore-mentioned situation, the difference between the book value of the investment disposed and the consideration received is recognized in profit or loss.

Where a long-term equity investment is measured by the equity method both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised prior to the acquisition is treated in the same manner that the investee disposes the relevant assets or liabilities proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss proportionate to the disposal.

Where a long-term equity investment is measured at cost both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities and recognised in profit or loss proportionate to the disposal. The investee's equity movement other than net profit, other

comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss proportionate to the disposal.

Where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment is measured by the equity method in the Company's separate financial statements; where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and the book value of the remaining investment at the date of loss of control is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of control. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss when control is lost. Where the remaining investment is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss in full.

Where the Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method, prior to the partial disposal is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of joint control or significant influence. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss when joint control or significant influence is lost.

Where the Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals are accounted for one single transaction which results in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognized in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is lost.

## **12. Investment property**

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. In addition, the Company holds for future operating lease vacant buildings, if the board of directors (or similar body) to make a written resolution, made it clear that their intention for rent and shall not occur in the short term change, but also as an investment real estate presentation. Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditures should be recorded in the current profits or losses when incurred.

The Group uses the cost model for subsequent measurement of investment property, and in

accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note IV. 18 “Non-current and non-financial assets impairment”.

Occupied real estate for investment property or investment property is transferred to owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

When an investment property is changed for personal use, since the change of date, the investment property is transferred to fixed assets or intangible assets. Owner-occupied property is changed to earn rentals or for capital appreciation, change the date, will be converted to fixed assets or intangible investment property. When the transition occurs, the conversion to the use of investment property cost model, the carrying value before conversion as the book value after conversion, convert to investment property measured at fair value model, the fair value of the conversion date as the conversion after the recorded value.

When the investment property is disposed of or permanently withdrawn from use and no future economic benefits are expected from the disposal, derecognition of the investment property. Investment property is sold, transferred, retired or damaged, the disposal income after deducting the book value and related taxes and profit or loss.

### 13. 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. Fixed assets only in the economic benefits associated with it will flow to the company and the cost can be measured reliably only are confirmed. Fixed assets are stated at cost and considering the expected costs of abandoning the initial measurement.

#### (2) The method for depreciation

From the following month of state of intended use, depreciation method of 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	Estimated residual value (%)	Expected useful life	Depreciation (%)
Houses and building	7.00-10.00	20	4.50-4.65
Machineries	0.00	11-18	5.56-9.09
Electronic device、 furniture and modules	0.00	5-6	16.67-20.00
Vehicles	0.00	6	16.67
Improvement expense of leased fixed assets	0.00	the shorter of lease term and beneficial lives	

Expected net residual value of fixed assets is the balance of the Company 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

Impairment and provisions of fixed assets are disclosed on Note IV. 18 Impairment of non-current and non-financial assets.

#### (4) Fixed Assets under finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

#### (5) 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 Company 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.

### **14. Construction in progress**

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

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note IV. 18.

### **15. Borrowing costs**

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognized as an expense in the period in which they are incurred. Qualifying assets are asset (fixed assets, investment property and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

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

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction

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

## **16. Intangible assets**

### **(1) 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 Company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Company, 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 less net residual value and any accumulate impairment losses 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 Company 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 cost**

Cost of research and development is distinguished into the research phase and the development phases.

Cost of the research phase is recognized in the profit or loss in the period in which it is incurred.

Unless the following conditions are satisfied, cost of the development phase is recognized in the profit or loss in the period in which it is incurred:

- 1) It is technically feasible to complete the intangible asset so as to use it or sell it;
- 2) It is clearly invented to complete the intangible asset in order to use it or sell it;
- 3) it is probable that the intangible asset is capable of generating future economic benefit, such as the market for the product produced by the intangible asset or the intangible asset itself, it is objectively evidential that the intangible asset is economically usable if it is going to be used internally;
- 4) There are sufficient technical, financial and other resources to complete the intangible asset and to use it or sell it;
- 5) The cost of the development of the intangible can be measured reliably.

If the cost cannot be distinguished into the search phase and the development phase, it is recognized in the profit or loss for the period in which it is incurred.

### **(3) Impairment of intangible assets**

Impairment and provisions of intangible assets are disclosed on Note 4.18.

## **17. Long-term deferred expenditure**

An item long-term deferred expenses is an expense which has been incurred and which has a beneficial period (a period during which an expense is expected to bring economic benefits to an entity) which is longer than one year and which includes at least part of the reporting period during which the expense was incurred and subsequent reporting periods. An item of long-term deferred expenses is recognized at the actual amount of the expense incurred and allocated in each month of the beneficial period using the straight line method.

### **18. Impairment of long-term assets**

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost methods and long-term equity investment on subsidiaries, jointly operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment.

Impairment of loss is calculated and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained.

Disposal expenses include expenses related to the legislation, taxes, transportations and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset or asset Group, the management shall estimate the expected future cash flows from the asset or asset Group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset Group where subject asset belongs. Asset Group is the smallest set of assets that can have cash flow in independently.

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset Groups or sets of asset Groups to which the goodwill is allocated. Estimating the present value requires the Company to make an estimate of the expected future cash flows from the asset Groups or sets of asset Groups and also choose a suitable discount rate in order to calculate the present value of those cash flows. Once the loss from above asset impairment is recognized, the recoverable part cannot be reserved in the subsequent periods.

### **19. Employee Benefits**

The employee benefits of the company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits includes wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits and etc. The company provides services accounting period in which an employee of the company will be short-term employee benefits are recognized as liabilities actually incurred and loss account or the costs associated with the asset. The non-monetary benefits are measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plan which includes the basic old-age insurance, unemployment insurance and



annuities shall be deposited in the appropriate amount accrued to the cost of related assets or profit or loss.

Prior to the employment contracts terminate the labor relationship with employees, or to encourage employees to accept voluntary redundancy compensation proposals in this company can not unilaterally withdraw due to termination of employment or layoff proposal termination benefits provided, and the company recognized costs related to both pay and termination benefits related to the restructuring which is early to confirm employee benefits liabilities, and recorded as profit or loss. However, termination benefits expected at the end of the annual reporting period of twelve months can not be fully paid, in accordance with other long-term employee benefits processing.

Retirement plan would be adopted the same principles as the unemployment. The company will stop providing services from the employee to be paid during the normal retirement date of retired staff salaries, social insurance and etc., when in compliance with the conditions on recognition in profit or loss (termination benefits).

Other long-term employee benefits provided by the Company for the employees, in line with defined contribution plans, the accounting treatment in accordance with a defined contribution plan, in addition to the set-benefit plans in accordance with the accounting treatment.

## 20. Accrued liabilities

Recognition of accrued liabilities:

Obligation with contingency factor such as external hypothecate, lawsuit or arbitrage in dispute, guarantee on quality of product, cut-down plan, loss of contract, recombine obligation, obligation on abandon fixed asset, and meet the follow condition simultaneously would determined as liabilities:

- ① This obligation is current obligation of the Company; and,
- ② The performance of this obligation will probably cause economic benefits outflow of the Company; and,
- ③ The amount of this obligation can be reliably measured.

On balance sheet date the Company performs relate obligation that consider risk, incertitude, time value of currency of contingency factor. According to the best estimate of the expenditure required to settle the present obligation for estimated liabilities measured.

If the expenditure required to settle the liability is expected to be fully or partly compensated by a third party, to determine the amount of compensation will be received at the basic, separately recognized as an asset, and is recognized in the amount of compensation does not exceed the carrying value of estimated liabilities.

## 21. Revenue

### (1) Revenue from sales of goods

Revenue from sales of goods is recognized when significant risks and rewards attached to the ownership of the goods sold are passed to the buyer, when neither continual involvement in the rights normally associated with the ownership of the goods sold nor effective control over the goods controls are retained, when revenue arising from the goods sold is reliably measurable, when inflow of future economic benefits is probable, and when cost incurred or to be incurred associated with the goods sold is reliably measurable.

For the export sales of the products of the Company, no matter what the sales pattern adopt, recognition of revenue according to the sales contract or conventions listed in the orders, for those product sales employ the FOB domestic ports settlement, revenue recognition upon the bill of lading acquired from the shipping company and conducted the export declaration; for those product sales employ the FOB oversea ports settlement, revenue recognition upon the export declaration finished and shipment at the buyer's receiving dock, as well as acquired the bill of lading from the

shipping company.

Accounting treatment for sales return: in accordance with the international trade prevailing rules, the FOB settlement employed, indicate to the buyer has inspected and accepted those purchased commodities at the shipment dock, after acceptance and shipping the relevant risks has been transferred to buyer, therefore the Company has no individually recognized for the events, but the amount shall be recognized when incurred and accounted through in profit and loss in current period.

Accounting treatment for product claims: calculate the claim indemnity rate, according to the proportion of actually payment for those product claims during recently two years account for the corresponding period sales revenue, at the end of period, on the basis of current period sales revenue and the claim indemnity rate to recognize the claim indemnity expense.

#### (2) Revenue from rendering of service

Revenue arising from rendering of services is recognized on the balance date using the percentage of completion method when the outcome of the services rendered can be reliably estimated. The percentage of completion of the services rendered is calculated by dividing the cost to date by the budgeted total cost.

The outcome of the services rendered can be reliably estimated when revenue from the services render can be reliably measured, when the inflow of associated future economic benefits is probable, when the percentage of completion can be reliably measure, and when the cost incurred or to be incurred associated with the services can be reliably measured.

When the outcome of the services rendered cannot be reliably estimate, revenue is recognized as cost reimbursement received or to be received, if any, and cost incurred is recognized in profit or loss for the period in which the cost is incurred. No revenue is recognized if cost reimbursement is not probable.

When a contract between the group and another entity involves both sales of goods and rendering for services, the sales of goods and rendering of services are accounted for separately if they are distinguishable and separately measurable; the contract is accounted for as if it is a contract involves only sales of goods if the sales of goods and rendering of services are either indistinguishable or distinguishable but not separately measurable.

#### (3) Royalty Revenue

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

#### (4) Interest Income

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.

## 22. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company 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.

The government grants which were acquired by the Company will be used to purchase or otherwise form become long-term assets will be defined as grant related to the assets; the others will be defined as grants related to the income. If the files have not clearly defined government grants objects, it will be divided in the following manner compartmentalize the grants related to the assets and grants related to the income: (1) government documents defined specific projects targets, according to the relative proportion of the budgets of specific items included the expenditure of to form assets and the expenditure will be charged into expense to be divided, the division ratio required at each balance sheet date for review and make changes if necessary; (2) government documents to make a general presentation purposes only, does not specify a particular project, as 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.

When received the government grants actually, recognized and measured them by the actual amount received. However, there is strong evidence that the end of fiscal support policies able to meet the conditions specified in the relevant funds are expected to be able to receive financial support, measured at the amount receivable. Government grants are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable of government departments issued a document entitled have been confirmed, or could reasonably estimated in accordance with the relevant provisions of its own official release of financial resources management approach, and the expected amount of a material uncertainty which does not exist; (2) it is based on the local financial sector to be officially released and financial support for the project and its financial fund management approach voluntarily disclosed in accordance with the provisions of “Regulations on Disclosure Government Information”, and the management approach should be (inclusive of any compliance business conditions may apply), and not specifically formulated for specific businesses; (3) related grants approval has been clearly committed the deadline, and is financed by the proceeds of a corresponding budget as a guarantee, so that will be received within the prescribed period with the a reasonable assurance; (4) according to the specific circumstances of the Company and the subsidy matter, should satisfy the other conditions (if any).

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.

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

#### **(1) Income tax for the current period**

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 Company expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, current income tax liabilities or assets for the current and prior periods, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The calculation for income tax expenses in the current period is based on the taxable income according to the related tax laws after adjustment to the accounting profit of the reporting period.

#### **(2) Deferred income tax assets and 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 Company 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 Company recognizes other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

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

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

At the balance sheet date, the Company 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 Company 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.

### (3) Income tax expenses

Income tax expenses consist of current income tax and deferred income tax.

The expenses from income tax and deferred income tax, as well as the revenue, shall be recorded into profit or loss in current accounting period, except expense for income tax of the current period and deferred income tax that booked into other income or equity and adjusted carrying value of deferred income tax goodwill arose from business combination.

### (4) Income tax offset

When we have the legal right, and have intended to, to make settlement with net amount, or through the asset acquisition and liability fulfillment simultaneously, the Company shall present the net value from the offset between current income tax asset and current income tax liability in the financial statement.

When the Company has the legal right to make a settlement with the current income tax asset and current income tax liability, and the deferred income tax asset and deferred income tax liability are related to the same taxable subject under the same tax payer, or related to different taxable subject, but the intension of net value settlement in regard of the current income tax asset and current income tax liability, the Company shall present net value after the offset of deferred income tax asset and deferred income tax liability.

**24. Leases**

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

**(1) The Company 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 Company as Lessor under operating Lease**

Lease income from operating leases shall be recognized by the lessor 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.

**25. Significant account judgment and estimates**

The Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of operation activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. These judgments, estimates and assumptions may affect value of the financial statements in revenue, expenses, assets and liabilities and the disclosure of contingency at the balance sheet date. However, the result derived from those uncertainties in estimates may lead significant adjustments to the carrying amounts of the assets or liabilities affected in the future.

The Company has reviews the judgments, estimates and assumptions regularly on the basis of going concern. Where the changes in accounting estimates only affect the period when changes occurred, and they are recognized within the same period. Where the changes in accounting estimates affect both current period and future period, the changes are recognized within the period of change and future period.

At balance sheet date, the followings are the significant areas where the Company needs to make judgment, estimates and assumptions over the value of items in the financial statements:

**(1) Classification of lease**

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

**(2) Allowance for bad debt**

According to the relevant accounting policies of the Company in receivables, allowance method is used for bad debt's calculation. The impairment of receivables is calculated based on the assessment of recoverable of receivables. Assurance of receivable impairment needs judgments and estimations from the management. The difference between actual results and original estimates shall have impact on the carrying amount of receivables and receivable bad debt provisions or the reverse during the change of estimation.

**(3) Impairment of inventories**

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regard of inventories and provisions for decline in value of inventories is made if the cost is higher than their net realizable value, and obsolete and slow-movement

inventories. Inventories decline in value to net realizable value is the estimated selling price in the ordinary course of business. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events. The difference between the actual result and the original estimates shall have impact on reverse of the carrying amount of the inventories and their decline in value or provisions during the period of change.

(4) The fair value of financial instruments

For a financial instrument which has no active market, the Company establishes fair value by using various valuation methods, including of discounted cash flow analysis model. The Company needs to estimate future cash flow, credit risk, volatility and relationship during the valuation and choose appropriate discount rate. Such assumptions have uncertainties and their changes shall have impact on the fair value of financial instruments.

(5) Impairment of non-financial, non-current assets

The Company assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. For an intangible asset that has indefinite useful life, impairment test is made in addition to the annual impairment test if there is any indication of impairment. For non-current assets other than financial assets, impairment test is made when there is any indication that its account balance cannot be recovered.

Impairment exists when the recoverable amount of an asset is the higher of its fair value less cost of disposal and present value of the future cash flows expected to be derived from the asset.

Net value between the difference of fair value and disposal cost is determined by reference of the price of similar product in a sale agreement in an arm's length transaction or an observable market price less the additional cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flow, significant judgments are made over the asset's production, selling price and relevant operating expenses, and discount rate used to calculate present value. All available materials that are considered to be relevant shall be used in the estimation of recoverable value. These materials include estimations of production, selling price and operating expenses based on reasonable and supportable assumptions.

The Company makes an impairment test for goodwill at least at each year end. This requires an estimation of present value of future cash flow of the assets or assets group where goodwill has been allocated. The Company shall makes estimation on the future cash flow derived from assets or assets group and determine an appropriate discount rate for the present value of future cash flow when the estimation of present value of future cash flow is made.

(6) Depreciation and amortization

Investment property, fixed assets and intangible assets are depreciated and amortized using the straight-line method over their useful lives after taking into account residual value. The useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factor used to determine the depreciation or amortization, the rate of depreciation or amortization is revised.

(7) Deferred tax assets

The group shall recognize all unused tax losses as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. This requires the management of the Company make a lot of judgments over the estimation of time period, value and tax planning strategies when future taxable profit incurs so that the value of deferred tax assets can be determined.

(8) Income tax

There are some transactions where ultimate tax treatments and calculations have uncertainties in the Company's everyday operation. Whether it is possible for some items to make expenditure before tax needs approval from competent tax authorities. If there is any difference between finalized determination value and their initial estimations value, the difference shall have the impact on the income tax and deferred income tax of the current period during the final determination.

#### (9) Accrued liabilities

According with the terms of the contract, the existing knowledge and historical experience, product quality assurance and expected contract losses, delay in delivery of liquidated damages are estimated and recognized as an accrued liabilities. In these matters has been the formation of a current obligation, and fulfilling the duty is likely to lead to the outflow of economic benefits of the Company, the Company or the best estimate of the current obligation expenditure required recognized as a accrued liabilities. Recognition and measurement of accrued liabilities is dependent on the judgment of management. In the processing of judgment the company needed to appraise the related risks, uncertainties and time value of money and other factors.

The Company will sell, repair and renovation of goods sold to provide customers with quality after-sales service commitment is accrued liabilities. Accrued liabilities have considered the recent experience in the maintenance data, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in the accrued liabilities may affect the profit or loss in future.

#### (10) Fair value measurement

Some assets and liabilities of the Company are measured by fair value in the financial statements. The company use available market date when to make an estimate of the fair value of an asset or liability. The company will hire the third party qualified appraiser to perform the appraisal if cannot get the value of same assets or liabilities without adjustment in the active market at measurement day. The valuation techniques and the value of the information which are used to determine all kinds of the fair value of assets and liabilities in the process are disclosed in Notes 10.

## V. Taxation

### 1. Taxes and surcharges applicable to the Company

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	Revenues from sales of products and raw materials	5,6,11,17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

Notes: CS [2016] No. 36, which was about the Notice on the Comprehensively Launched Pilot for Replacing Business Tax by VAT that be executed on 1 May 2016.

### 2 Taxes and surcharges applicable to the primary subsidiaries

#### (1) TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL)

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	Revenues from sales of products and raw materials	0, 5, 6, 11, 13, 17

Taxes and surcharges	Tax base	Tax rate (%)
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	5
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	15

Products, raw materials export sales applied the policy of exemption, reduction and refund of VAT, the rate is 0%.

In accordance with the “The Notice Regarding to Fujian Province 2014 Second Group of High Technology Enterprise Review” (No. Mingkegao [2015] 6), TKL was identified as Fujian Province High Technology Enterprise (The certification No. GR201435000140), the validity is from the year 2014 to 2016. The current income tax at 15%.

## (2) Tsann Kuen China (Shanghai) Enterprise Co., Ltd. (hereafter, TKS)

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	Revenues from sales of products and raw materials	5, 11, 17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

## VI. Notes on major items in consolidated financial statements of the Company

### 1. Monetary funds

Item	2016.06.30	2015.12.31
Cash on hand	733,184.57	675,221.95
Bank deposits	553,548,283.29	755,548,322.77
Other monetary funds	0.00	0.00
Total	<u>554,281,467.86</u>	<u>756,223,544.72</u>
Of which: total amount deposited in overseas	11,591,740.55	9,697,534.15

Notes: the balance of fixed time deposit at financial institution for interest in the bank deposits at period-end was RMB174,327,000 and pledge of bank RMB19,640.61.

### 2. Financial assets measured by fair value with changes in fair value recognised in profit or loss

#### (1) Disclosure by classification

Item	2016.06.30	2015.12.31
Trading financial assets	27,300.00	0.00
Including: Derivative financial assets	<u>27,300.00</u>	<u>0.00</u>
Total	<u>27,300.00</u>	<u>0.00</u>



## (2) Explanation

The derivative financial asset is forward foreign exchange contract signed with financial institutions.

**3. Notes receivable****(1) Disclosure by classification**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Bank acceptance bill	<u>3,388,917.00</u>	<u>1,483,710.00</u>
Total	<u>3,388,917.00</u>	<u>1,483,710.00</u>

**(2) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end****(3) Notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement****4. Accounts receivable****(1) Disclosure by classification**

<u>Item</u>	<u>Book balance</u>		<u>2016.06.30</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Accounts receivable of individual significance subject to individually assessment for impairment	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Accounts receivable portfolio subject to impairment by credit risk:					
Portfolio by age	214,751,675.86	98.23	6,123,975.88	2.85	208,627,699.98
Portfolio by related parties	3,878,197.41	1.77	0.00	0.00	3,878,197.41
Subtotal	<u>218,629,873.27</u>	<u>100.00</u>	<u>6,123,975.88</u>	<u>2.80</u>	<u>212,505,897.39</u>
Accounts receivable of individually insignificance subject to individually assessment for impairment	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>218,629,873.27</u>	<u>100.00</u>	<u>6,123,975.88</u>	<u>2.80</u>	<u>212,505,897.39</u>

(Continued)

<u>Item</u>	<u>Book balance</u>		<u>2015.12.31</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Portfolio by age	219,650,502.21	98.15	4,173,924.76	1.90	215,476,577.45
Related party group	4,132,689.95	1.85	0.00	0.00	4,132,689.95
Subtotal	<u>223,783,192.16</u>	<u>100.00</u>	<u>4,173,924.76</u>	<u>1.87</u>	<u>219,609,267.40</u>
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>223,783,192.16</u>	<u>100.00</u>	<u>4,173,924.76</u>	<u>1.87</u>	<u>219,609,267.40</u>

① In the groups, accounts receivable adopting aging analysis method for measurement of allowance for bad debt:

<u>Aging</u>	<u>2016.06.30</u>		
	<u>Amount</u>	<u>Bad debt provision</u>	<u>Proportion (%)</u>
Within 1 year	214,129,192.40	5,501,492.42	2.57
Including: 1-90 days	191,743,004.66	0.00	0.00
91-180 days	10,866,551.45	1,086,655.15	10.00
181-270 days	6,724,904.36	2,017,471.30	30.00
271-365 days	4,794,731.93	2,397,365.97	50.00
1-2years	574,965.50	574,965.50	100.00
2-3years	10,017.96	10,017.96	100.00
Over 3 years	<u>37,500.00</u>	<u>37,500.00</u>	<u>100.00</u>
Total	<u>214,751,675.86</u>	<u>6,123,975.88</u>	<u>2.85</u>

②In the groups, accounts receivable using related party group method for measurement of allowance for bad debt

<u>Item</u>	<u>2016.06.30</u>		
	<u>Account receivable</u>	<u>Bad debt provision</u>	<u>Withdrawal proportion (%)</u>
Related party group	<u>3,878,197.41</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>3,878,197.41</u>	<u>0.00</u>	<u>0.00</u>

## (2) Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognised during the Reporting Period is CNY2,302,024.24; the amount of recovered or reversed allowance for bad debts during the Reporting Period is of CNY0.

## (3) Accounts receivable written off during the Reporting Period

<u>Item</u>	<u>Amount</u>
Sporadic accounts receivable written off	362,911.29

## (4) Details of top five accounts receivable

The total amount of top five accounts receivables summarized by debtors as at the end of the Reporting Period is CNY129,965,156.04, accounting for 59.44% of the total accounts receivable as at the end of the Reporting Period, the total corresponding allowance for bad debts is CNY589,960.00.

## 5. Advances to suppliers

### (1) Disclosure by age

<u>Item</u>	<u>2016.06.30</u>		<u>2015.12.31</u>	
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Proportion (%)</u>
Within 1 year	11,696,437.27	97.45	16,916,279.78	99.98
1-2years	<u>305,701.74</u>	<u>2.55</u>	<u>3,087.09</u>	<u>0.02</u>
Total	<u>12,002,139.01</u>	<u>100.00</u>	<u>16,919,366.87</u>	<u>100.00</u>

### (2) Details of top five advance to suppliers

The total amount of top five advance to suppliers as at the end of Reporting Period is CNY9, 355,646.67, accounting for 77.95% of the total advance to suppliers.

**6. Interest receivable****(1) Disclosure by classification**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Fixed deposit receipt	<u>1,010,711.98</u>	<u>1,135,305.55</u>
Total	<u>1,010,711.98</u>	<u>1,135,305.55</u>

**7. Other receivable****(1) Disclosure by classification**

<u>Item</u>	<u>Book balance</u>		<u>Bad debt provision</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Other receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other receivable portfolio subject to impairment by credit risk:					
Portfolio by age	25,089,343.57	91.96	528,042.92	2.10	24,561,300.65
Portfolio by related parties	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subtotal	<u>25,089,343.57</u>	<u>91.96</u>	<u>528,042.92</u>	<u>2.10</u>	<u>24,561,300.65</u>
Other receivable of individually insignificance subject to individually assessment for impairment	<u>2,192,574.47</u>	<u>8.04</u>	<u>1,145,124.47</u>	<u>52.23</u>	<u>1,047,450.00</u>
Total	<u>27,281,918.04</u>	<u>100.00</u>	<u>1,673,167.39</u>	<u>6.13</u>	<u>25,608,750.65</u>

(Continued)

<u>Item</u>	<u>Book balance</u>		<u>Bad debt provision</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Other receivable of individual significance subject to individually assessment for impairment	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Other receivable portfolio subject to impairment by credit risk:					
Portfolio by age	53,630,629.44	96.07	4,371,184.05	8.15	49,259,445.39
Portfolio by related parties	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Subtotal	<u>53,630,629.44</u>	<u>96.07</u>	<u>4,371,184.05</u>	<u>8.15</u>	<u>49,259,445.39</u>
Other receivable of individually insignificance subject to individually assessment for impairment	<u>2,194,194.47</u>	<u>3.93</u>	<u>1,145,124.47</u>	<u>52.19</u>	<u>1,049,070.00</u>
Total	<u>55,824,823.91</u>	<u>100.00</u>	<u>5,516,308.52</u>	<u>9.88</u>	<u>50,308,515.39</u>

In the groups, other receivable using the age analysis method for measurement of allowance for bad debt

<u>Aging</u>	<u>2016.06.30</u>		
	<u>Other accounts receivable</u>	<u>Bad debt provision</u>	<u>Proportion (%)</u>
Within 1 year	24,624,238.17	62,937.52	0.26
Including: 1-90 days	24,266,125.51	0.00	0.00
91-180 days	273,513.40	27,351.34	10.00
181-270 days	33,567.26	10,070.18	30.00
271-365 days	51,032.00	25,516.00	50.00

1-2years	317,566.51	317,566.51	100.00
2-3years	142,538.89	142,538.89	100.00
Over 3 years	<u>5,000.00</u>	<u>5,000.00</u>	<u>100.00</u>
Total	<u>25,089,343.57</u>	<u>528,042.92</u>	<u>2.10</u>

② Other receivable of individually insignificance subject to individually assessment for impairment

<u>Items</u>	<u>Book balance</u>	<u>Withdrawal proportion (%)</u>	<u>Bad debt provision</u>	<u>Withdrawal reason</u>
Shanghai Tanghai Investment Co., Ltd.	1,145,124.47	100.00	1,145,124.47	Expect all other receivable will not be repaid
China Export & Credit Insurance Corporation, Fujian Branch	648,450.00			Guaranteed deposits, absence of impairment
Longhai People's Court	200,000.00			Guaranteed deposits, absence of impairment
Alipay (China) Network Technology Co., Ltd.	109,000.00			Guaranteed deposits, absence of impairment
Li Jinhe	30,000.00			Guaranteed deposits, absence of impairment
NiuhaiE-commerce ( Shanghai ) Co., Ltd.	30,000.00			Guaranteed deposits, absence of impairment
Beijing Dangdangkewen E-Commerce Co., Ltd.	20,000.00			Guaranteed deposits, absence of impairment
Gome Online E-Commerce Co., Ltd.	<u>10,000.00</u>			Guaranteed deposits, absence of impairment
Total	<u>2,192,574.47</u>	<u>100.00</u>	<u>1,145,124.47</u>	

**(2) Recognition, recovery and reversal of allowance for bad debt**

The amount of allowance for bad debts recognised during the Reporting Period is CNY35,713.36; the amount of recovered or reversed allowance for bad debts during the Reporting Period is of CNY3,878,854.49.

**(3) There was no actual write-off other accounts receivable**

**(4) Disclosure by account nature**

<u>Nature</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Non-related party	27,281,918.04	55,824,823.91
Related	<u>0.00</u>	<u>0.00</u>
Total	<u>27,281,918.04</u>	<u>55,824,823.91</u>

**(5) Details of top five other receivables**

<u>Items</u>	<u>Nature of OR</u>	<u>Amount</u>	<u>Aging</u>	<u>% of total</u>	<u>Closing balance of bad debt provision</u>
No.1	Export tax refunds	12,767,833.37	0-30 days	46.80	
No.2	Water & electricity fees	1,184,833.75	0-30 days	4.34	
No. 3	Water & electricity fees	1,117,460.51	0-30 days	4.10	
No. 4	Energy charge	692,786.30	0-30 days	2.54	
No. 5	Margin	<u>648,450.00</u>	Over 1 years	<u>2.38</u>	
		<u>16,411,363.93</u>		<u>60.15</u>	<u>0.00</u>

## 8. Inventory

### (1) Disclosure by classification

Item	2016.06.30			2015.12.31		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Raw materials	86,186,338.07	13,775,429.17	72,410,908.90	91,395,798.53	18,521,377.30	72,874,421.23
Goods in process	4,353,615.08	0.00	4,353,615.08	12,536,811.29	0.00	12,536,811.29
Self-manufactured semi-finished goods	20,625,255.08	1,858,837.76	18,766,417.32	18,983,995.05	1,858,837.76	17,125,157.29
Finished goods	115,894,184.64	17,990,838.27	97,903,346.37	169,996,603.19	17,464,104.93	152,532,498.26
Low-value consumables	6,541,890.14	0.00	6,541,890.14	5,087,609.94	0.00	5,087,609.94
Materials in transit	<u>1,130,885.91</u>	<u>0.00</u>	<u>1,130,885.91</u>	<u>4,221,289.94</u>	<u>0.00</u>	<u>4,221,289.94</u>
Total	<u>234,732,168.92</u>	<u>33,625,105.20</u>	<u>201,107,063.72</u>	<u>302,222,107.94</u>	<u>37,844,319.99</u>	<u>264,377,787.95</u>

### (2) Impairment allowance for inventories

Item	2015.12.31	Increased amount		Decrease		2016.06.30
		Withdrawal	Others	Reverse or write-off	Others	
Raw materials	18,521,377.30	189,110.13	7,241.57	4,942,299.82	0.00	13,775,429.18
Self-manufactured semi-finished goods	1,858,837.76	0.00	0.00	0.00	0.00	1,858,837.76
Finished goods	<u>17,464,104.93</u>	<u>591,195.62</u>	<u>3,025.60</u>	<u>67,487.89</u>	<u>0.00</u>	<u>17,990,838.26</u>
Total	<u>37,844,319.99</u>	<u>780,305.75</u>	<u>10,267.17</u>	<u>5,009,787.71</u>	<u>0.00</u>	<u>33,625,105.20</u>

### (3) The basis of recognizing impairment allowance and the reason of recovering or writing off the impairment allowance for inventories

Item	The basis of recognition of impairment allowance for inventories	The reason of recovering impairment allowance for inventories	The reasons for inventory impairment write-off
Raw materials	Market prices decrease, and resulting in raw material's net realizable value lower than cost		Sale or disposal
Finished goods	Market prices decrease, and resulting in finished goods' net realizable value lower than cost		Sale or disposal

### (4) Closing balance of the inventory which includes capitalized borrowing expenses was RMB0.

## 9. Other current assets

Item	2016.06.30	2015.12.31
Input tax to be deducted	8,495,735.19	9,858,232.99
Financial products	<u>230,000,000.00</u>	<u>80,000,000.00</u>
Total	<u>238,495,735.19</u>	<u>89,858,232.99</u>

## 10. Available-for-sale financial assets

### (1) The situation of available-for-sale financial assets

Item	2016.06.30			2015.12.31		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available for sale equity instruments	40,000.00	0.00	40,000.00	40,000.00	0.00	40,000.00
Including: measured by cost	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>
Total	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>

### (2) The measurement of the cost of available for sale financial assets at the period-end

Investee	Book balance			Depreciation reserves			Shareholding proportion among the investees(%)	Cash bonus of the Reporting Period
	2015.12.31	Increase	Decrease	2016.06.30	2015.12.31	Increase		
Xiamen Association of Enterprises with Foreign Investment	<u>40,000.00</u>			<u>40,000.00</u>			1.48	<u>8,474</u>
Total	<u>40,000.00</u>			<u>40,000.00</u>			<u>1.48</u>	<u>8,474</u>

## 11. Investment property

### (1) Investment property adopted the cost measurement mode

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	130,947,241.39	29,260,577.51	0.00	160,207,818.90
2. Increased amount of the period	0.00	0.00	0.00	0.00
(1) Outsourcing	0.00	0.00	0.00	0.00
(2) Transfer of inventory/fixed assets/project under construction	0.00	0.00	0.00	0.00
(3) Increased by business combination	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
(2) Investment property transferred into fixed assets	0.00	0.00	0.00	0.00
4. Closing balance	130,947,241.39	29,260,577.51	0.00	160,207,818.90
II. Accumulated Depreciation and accumulated amortization				
1. Opening balance	101,611,164.31	12,411,437.91	0.00	114,022,602.22
2. Increased amount of the period	2,597,190.62	311,055.90	0.00	2,908,246.52
(1) Withdrawal or amortization	2,597,190.62	311,055.90	0.00	2,908,246.52
2. Investment property transferred from fixed assets	0.00	0.00	0.00	0.00
3. Decreased amount of the period	574,386.06	0.00	0.00	574,386.06
(1) Disposal	0.00	0.00	0.00	0.00
(2) Investment property transferred into fixed assets	574,386.06	0.00	0.00	574,386.06
4. Closing balance	103,633,968.87	12,722,493.81	0.00	116,356,462.68
III. Depreciation reserves				
1. Opening balance	0.00	0.00	0.00	0.00

2. Increased amount of the period	0.00	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
(2) Other transferred out	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00	0.00
IV. Book value				
1. Closing book value	<u>27,313,272.52</u>	<u>16,538,083.70</u>	<u>0.00</u>	<u>43,851,356.22</u>
2. Opening book value	<u>29,336,077.08</u>	<u>16,849,139.60</u>	<u>0.00</u>	<u>46,185,216.68</u>

## (2) Investment property with pending ownership registration

Item_	Book value	Reason for pending
Lvyuan three country villa	2,411,522.89	Under processing

## 12. Fixed assets

### (1) List of fixed assets

Item	Houses and buildings	Machinery equipment	Electronic device, modules and others	Transportation equipment	Improvement expense of leased fixed assets	Total
I. Original book value						
1. Opening balance	91,674,356.13	155,626,011.03	1,149,407,678.51	16,875,123.73	67,082,341.35	1,480,665,510.75
2. Increased amount of the period	0.00	5,931,513.47	21,063,351.73	37,003.33	263,756.33	27,295,624.86
(1) Purchase	0.00	5,850,739.17	21,020,140.88	37,003.33	205,519.12	27,113,402.50
(2) Transfer from project under construction	0.00	0.00	0.00	0.00	0.00	0.00
3. Transfer from investment property	0.00	0.00	0.00	0.00	0.00	0.00
Impact of changes in exchange rates	0.00	80,774.30	43,210.85	0.00	58,237.21	182,222.36
(5) Other	0.00	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	908,156.75	31,292,678.70	17,036.80	0.00	32,217,872.25
(1) Disposal or Scrap	0.00	908,156.75	31,292,678.70	17,036.80	0.00	32,217,872.25
2. Investment property	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	91,674,356.13	160,649,367.75	1,139,178,351.54	16,895,090.26	67,346,097.68	1,475,743,263.36
II. Accumulative depreciation						
1. Opening balance	41,096,327.95	98,376,768.15	1,052,718,137.33	15,597,893.01	57,144,383.73	1,264,933,510.17
2. Increased amount of the period	2,120,903.02	2,973,575.33	14,866,693.40	205,776.88	2,401,214.67	22,568,163.30
(1) Withdrawal	1,345,149.23	2,797,112.34	14,777,449.82	199,686.13	2,359,092.36	21,478,489.88
2. Transfer from investment property	574,386.06	0.00	0.00	0.00	0.00	574,386.06
(3) Impact of changes in exchange rates	201,367.73	176,462.99	89,243.58	6,090.75	42,122.31	515,287.36
3. Decreased amount of the period	123,929.70	711,533.10	26,815,665.36	17,327.84	0.00	27,668,456.00
(1) Disposal or Scrap	123,929.70	711,533.10	26,815,665.36	17,327.84	0.00	27,668,456.00
2. Transfer from investment property	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	43,093,301.27	100,638,810.38	1,040,769,165.37	15,786,342.05	59,545,598.40	1,259,833,217.47
III. Depreciation reserves						
1. Opening balance	0.00	20,322,787.11	18,175,791.88	1,339.62	182,883.96	38,682,802.57
2. Increased amount of the period	2,567.74	2,204.60	1,113.61	77.67	504.27	6,467.89
(1) Withdrawal	0.00	0.00	0.00	0.00	0.00	0.00

(2) Impact of changes in exchange rates	2,567.74	2,204.60	1,113.61	77.67	504.27	6,467.89
3. Decreased amount of the period	0.00	3,216.71	2,095,460.96	0.00	0.00	2,098,677.67
(1) Disposal or Scrap	0.00	3,216.71	2,095,460.96	0.00	0.00	2,098,677.67
4. Closing balance	2,567.74	20,321,775.00	16,081,444.53	1,417.29	183,388.23	36,590,592.79
IV. Book value						
1. Closing book value	<u>48,578,487.12</u>	<u>39,688,782.37</u>	<u>82,327,741.64</u>	<u>1,107,330.92</u>	<u>7,617,111.05</u>	<u>179,319,453.10</u>
2. Opening book value	<u>50,578,028.19</u>	<u>36,926,455.77</u>	<u>78,513,749.30</u>	<u>1,275,891.10</u>	<u>9,755,073.66</u>	<u>177,049,198.02</u>

## (2) Fixed assets with pending ownership registration

Item	Book value	Reason for pending
Qingying garden	201,245.67	Under processing
Lvyuan three country villa	855,276.24	Under processing

## 13. Construction in progress

### (1) List of construction in progress

Item	<u>2016.06.30</u>		<u>2015.12.31</u>			
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Sporadic project	<u>396,547.71</u>	<u>0.00</u>	<u>396,547.71</u>	<u>210,796.20</u>	<u>0.00</u>	<u>210,796.20</u>
Total	<u>396,547.71</u>	<u>0.00</u>	<u>396,547.71</u>	<u>210,796.20</u>	<u>0.00</u>	<u>210,796.20</u>

### (2) Changes of significant construction in progress

Item	Estimated number	<u>2015.12.31</u>	Increased amount	<u>Amount that transferred to fixed assets of the period</u>	Decrease	<u>2016.06.30</u>
Workshop project	57,200.00	57,200.00	0.00	0.00	0.00	57,200.00
Others	<u>648,053.19</u>	<u>153,596.20</u>	<u>494,456.99</u>	<u>0.00</u>	<u>308,705.48</u>	<u>339,347.71</u>
Total	<u>705,253.19</u>	<u>210,796.20</u>	<u>494,456.99</u>	<u>0.00</u>	<u>308,705.48</u>	<u>396,547.71</u>

(Continued)

Item	<u>Proportion(%) of project investment in budget</u>	Project progress (%)	<u>Accumulative amount of capitalized interests</u>	<u>Of which: the amount of the capitalized interests of the period</u>	<u>Capitalization rate of the interests of the period (%)</u>	<u>Capital resources</u>
Workshop project	100	90	0.00	0.00	0.00	Self-owned
Others	<u>100</u>	<u>85</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>Self-owned</u>
Total	<u>100</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	

## 14. Intangible assets

Item	<u>Land use right</u>	<u>Software</u>	Total
I. Original book value			
1. Opening balance	13,711,137.38	16,326,065.37	30,037,202.75
2. Increased amount of the period	290,525.37	3,034,422.97	3,324,948.34
(1) Purchase	290,525.37	3,034,422.97	3,324,948.34



(2) Impact of changes in exchange rates	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	0.00	0.00
4. Closing balance	14,001,662.75	19,360,488.34	33,362,151.09
II. Accumulated amortization			
1. Opening balance	1,903,870.49	13,997,098.71	15,900,969.20
2. Increased amount of the period	275,164.07	663,756.48	938,920.55
(1) Withdrawal	234,822.94	663,756.48	898,579.42
(2) Impact of changes in exchange rates	40,341.13	0.00	40,341.13
3. Decreased amount of the period	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	0.00	0.00
4. Closing balance	2,179,034.56	14,660,855.19	16,839,889.75
III. Depreciation reserves			
1. Opening balance			0.00
2. Increased amount of the period	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00
IV. Book value			
1. Closing book value	<u>11,822,628.19</u>	<u>4,699,633.15</u>	<u>16,522,261.34</u>
2. Opening book value	<u>11,807,266.89</u>	<u>2,328,966.66</u>	<u>14,136,233.55</u>

### 15. Long-term deferred charge

<u>Item</u>	<u>2015.12.31</u>	<u>Increased amount</u>	<u>Amortization amount</u>	<u>Decrease</u>	<u>2016.06.30</u>
Telecommunications engineering	797,041.77	0.00	168,000.06	0.00	629,041.71
Houses and buildings renovation expenses	<u>3,077,597.22</u>	<u>611,460.21</u>	<u>612,533.47</u>	<u>391,175.44</u>	<u>2,685,348.52</u>
Total	<u>3,874,638.99</u>	<u>611,460.21</u>	<u>780,533.53</u>	<u>391,175.44</u>	<u>3,314,390.23</u>

### 16. Deferred income tax assets/deferred income tax liabilities

#### (1) Deferred income tax assets had not been off-set

<u>Item</u>	<u>2016.06.30</u>		<u>2015.12.31</u>	
	<u>Deductible temporary difference</u>	<u>Deferred income tax assets</u>	<u>Deductible temporary difference</u>	<u>Deferred income tax assets</u>
Assets impairment provision	67,027,929.94	10,339,377.19	70,226,882.23	10,735,568.74
Accrued expenses	14,735,450.48	2,680,574.29	11,934,848.95	2,200,171.07
Transaction financial liabilities	2,844,750.00	426,712.50	8,462,500.00	1,269,375.00
Unrealized profits from intragroup transactions	810,452.20	202,613.05	810,452.20	202,613.05
Others	<u>3,528,470.47</u>	<u>599,839.98</u>	<u>3,373,622.29</u>	<u>573,515.79</u>
Total	<u>88,947,053.09</u>	<u>14,249,117.01</u>	<u>94,808,305.67</u>	<u>14,981,243.65</u>

**(2) Deferred income tax liabilities had not been off-set**

<u>Item</u>	<u>2016.06.30</u>		<u>2015.12.31</u>	
	<u>Deductible temporary difference</u>	<u>Deferred income tax liabilities</u>	<u>Deductible temporary difference</u>	<u>Deferred income tax liabilities</u>
Depreciation of fixed assets	986,026.44	246,506.61	965,567.04	241,391.76
Trading financial assets	27,300.00	4,095.00	0.00	0.00
Others	<u>8,067.06</u>	<u>1,371.40</u>	<u>7,712.88</u>	<u>1,311.19</u>
Total	<u>1,021,393.50</u>	<u>251,973.01</u>	<u>973,279.92</u>	<u>242,702.95</u>

**(3) List of unrecognized deferred income tax assets**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Impairment provision of the fixed assets	8,569,195.09	8,562,727.20
Bad debt provision	1,731,721.84	5,716,620.52
Accrued expenses	17,723,411.92	17,993,277.12
Impairment of inventories	683,994.39	1,711,125.89
Payroll liability	1,723,118.40	1,321,984.20
Undistributed deficit	<u>79,692,905.53</u>	<u>70,628,157.47</u>
Total	<u>110,124,347.17</u>	<u>105,933,892.40</u>

**(4) The deductible losses of unrecognized deferred tax assets shall be matured in the following years**

<u>Year</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Y2016	9,312,880.43	3,187,362.29
Y2017	11,982,038.88	17,618,598.88
Y2018	20,480,812.96	21,913,253.09
Y2019	8,019,239.76	12,334,938.20
Y2020	15,566,046.67	15,574,005.01
Y2021	<u>14,331,886.83</u>	<u>0.00</u>
Total	<u>79,692,905.53</u>	<u>70,628,157.47</u>

**17. Other non-current assets**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Prepaid mold fee	1,022,801.67	1,608,236.93
Prepayment for equipment	<u>968,384.98</u>	<u>4,656,534.22</u>
Total	<u>1,991,186.65</u>	<u>6,264,771.15</u>

**18. Short-term borrowings****(1) Disclosure by classification**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Credit loan	<u>70,831,265.19</u>	<u>0.00</u>
Total	<u>70,831,265.19</u>	<u>0.00</u>

**19. Financial liabilities measured by fair value and the changes included in the current gains and losses**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Transaction financial liabilities	2,844,750.00	8,462,500.00
Including: Derivative financial liabilities	<u>2,844,750.00</u>	<u>8,462,500.00</u>
Total	<u>2,844,750.00</u>	<u>8,462,500.00</u>

The derivative financial liabilities are forward foreign exchange/sale contract signed with financial institutions.

**20. Notes payable**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Bank acceptance bill	6,127,143.75	10,194,127.43
Trade acceptance	<u>13,438,889.06</u>	<u>16,780,514.31</u>
Total	<u>19,566,032.81</u>	<u>26,974,641.74</u>

There was no amount of the due but not pay notes payable at the period-end.

**21. Accounts payable****(1) List of accounts payable**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Within 1 year	389,890,186.92	568,270,902.00
Over 1 years	<u>7,530,813.90</u>	<u>7,659,828.06</u>
Total	<u>397,421,000.82</u>	<u>575,930,730.06</u>

**(2) Details of significant accounts payable remaining unsettled for more than one year**

<u>Item</u>	<u>2016.06.30</u>	<u>Unpaid/ Un-carry-over reason</u>	<u>Repaid or not after balance sheet date</u>
XingdaElectrical& Mechanical Co., Ltd.	3,247,512.96	Quality disputes	No
Ningbo Jiesiluo Electrical Equipment Co., Ltd.	1,024,264.67	Quality disputes	No
Ningbo Chaochao Electrical Equipment Co., Ltd.	<u>500,237.01</u>	Quality disputes	No
Total	<u>4,772,014.64</u>		

**22. Advance from customers****(1) List of advance from customers**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Within 1 year	7,629,120.08	13,784,897.40
Over 1 years	<u>5,879,780.01</u>	<u>2,043,659.31</u>
Total	<u>13,508,900.09</u>	<u>15,828,556.71</u>

**(2) Details of significant advance from customers aging over one year**

<u>Item</u>	<u>Amount</u>	<u>Unpaid/ Un-carry-over reason</u>
ZELMERS.A.	1,168,221.91	Receive in advance
Sunbeam (L.A)	1,087,053.43	Receive in advance
SEB	648,217.38	Receive in advance
BIALETTI	479,457.08	Receive in advance
Total	<u>3,382,949.80</u>	

**23. Employee benefits payable****(1) List of employee benefits payable**

<u>Item</u>	<u>2015.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016.06.30</u>
I. Short-term salary	42,899,469.81	117,985,100.49	123,624,507.28	37,260,063.02
II. Post-employment benefit-defined contribution plans	170,062.03	5,058,992.83	5,033,732.20	195,322.66
III. Termination benefits	391,342.00	709,011.00	1,100,353.00	0.00
IV. Other benefits due within one year	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>43,460,873.84</u>	<u>123,753,104.32</u>	<u>129,758,592.48</u>	<u>37,455,385.68</u>

**(2) List of Short-term employee benefits**

<u>Item</u>	<u>2015.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016.06.30</u>
1. Salary, bonus, allowance, subsidy	31,987,641.94	105,579,480.88	112,791,894.69	24,775,228.13
2. Employee welfare	8,683.50	4,810,193.79	3,563,373.35	1,255,503.94
3. Social insurance	634,740.27	4,922,659.74	4,473,401.32	1,083,998.69
Including: Medical insurance	508,282.64	3,682,551.18	3,361,922.20	828,911.62
Employment injury insurance	82,990.86	1,018,835.57	892,161.31	209,665.12
Maternity insurance	43,466.77	221,272.99	219,317.81	45,421.95
4. Housing fund	8,581,566.90	2,664,271.84	2,357,701.63	8,888,137.11
5. Labor union budget and employee education budget	0.00	0.00	0.00	0.00
6. Short-term absence with payment	1,686,837.20	8,494.24	438,136.29	1,257,195.15
7. Short-term profit sharing plan	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>42,899,469.81</u>	<u>117,985,100.49</u>	<u>123,624,507.28</u>	<u>37,260,063.02</u>

**(3) List of defined contribution plan**

<u>Item</u>	<u>2015.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016.06.30</u>
1. Basic pension benefits	131,246.47	4,700,285.07	4,637,146.37	194,385.17
2. Unemployment insurance	38,815.56	358,707.76	396,585.83	937.49
Annuity	<u>0.00</u>	0.00	0.00	<u>0.00</u>
Total	<u>170,062.03</u>	<u>5,058,992.83</u>	<u>5,033,732.20</u>	<u>195,322.66</u>

**24. Taxes payable**

<u>Category of taxes</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Business tax	785,469.03	1,175,349.15
Corporate income tax	1,314,438.34	2,126,878.13
VAT	274,141.33	222,436.51
Personal income tax	267,592.23	472,557.24
Education Surcharge	170,950.30	736,753.02
Urban maintenance and construction tax	133,740.18	698,361.21
Others	<u>1,449,142.09</u>	<u>726,481.95</u>
Total	<u>4,395,473.50</u>	<u>6,158,817.21</u>

**25. Interest payable**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
<u>Interests on short-term borrowings</u>	<u>140,337.30</u>	<u>0.00</u>
Total	<u>140,337.30</u>	<u>0.00</u>

**26. Other accounts payable****(1) Other accounts payable listed by nature of the account**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Within 1 year	41,172,822.32	53,916,409.69
Over 1 years	<u>12,449,030.72</u>	<u>11,192,326.01</u>
Total	<u>53,621,853.04</u>	<u>65,108,735.70</u>

**(2) Other significant accounts payable with aging over one year**

<u>Item</u>	<u>2016.06.30</u>	<u>Unpaid/ Un-carry-over reason</u>
Payment of mold fee	1,095,043.80	Payment on behalf, unpaid
Cash pledge	<u>6,927,432.40</u>	Repaid at the termination of contract
Total	<u>8,022,476.20</u>	

**27. Share capital**

<u>Item</u>	<u>2015.12.31</u>		<u>Increase/decrease in Reporting Period (+/-)</u>					<u>2016.06.30</u>	
	<u>Amount</u>	<u>Proportion</u>	<u>Newly Newly</u>	<u>Bonus shares</u>	<u>Capitalization of public reserves</u>	<u>Others</u>	<u>Subtotal</u>	<u>Amount</u>	<u>Proportion</u>
I. Restricted shares									
1.State-held shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Shares held by state-owned entities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Shares held by other domestic investors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Within: Held by domestic legal person	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by domestic natural person	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Shares held by foreign investors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Within: Held by oversea legal person	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by oversea natural person	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal of shares with restriction on disposal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
II.Floating shares									
1. Ordinary shares issued in CNY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Domestically listed foreign shares	185,391,680.00	100.00	0.00	0.00	0.00	0.00	0.00	185,391,680.00	100.00
3. Oversea listed foreign shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total of restricted shares	<u>185,391,680.00</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>185,391,680.00</u>	<u>100.00</u>
III. Total shares	<u>185,391,680.00</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>185,391,680.00</u>	<u>100.00</u>

**28. Capital reserves**

<u>Item</u>	<u>2015.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016.06.30</u>
Share premium	210,045,659.80	0.00	296,385.42	209,749,274.38
Other capital reserves	<u>72,871,038.87</u>	<u>14,188,652.53</u>	<u>0.00</u>	<u>87,059,691.40</u>
Total	<u>282,916,698.67</u>	<u>14,188,652.53</u>	<u>296,385.42</u>	<u>296,808,965.78</u>

**29. Other comprehensive income**

<u>Item</u>	<u>2015.12.31</u>	<u>Reporting Period</u>					<u>2016.06.30</u>
		<u>Amount before income tax in current period</u>	<u>Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period</u>	<u>Less: Income tax expense</u>	<u>Attributable to owners of the Company after tax</u>	<u>Attributable to minority shareholders after tax</u>	
I. Other comprehensive reclassified into profits or losses							
Of which: converted difference of the foreign currency financial statement	<u>3,231,050.04</u>	<u>2,056,156.39</u>	<u>0.00</u>	<u>0.00</u>	<u>1,542,117.29</u>	<u>514,039.10</u>	<u>4,773,167.33</u>
Total	<u>3,231,050.04</u>	<u>2,056,156.39</u>	<u>0.00</u>	<u>0.00</u>	<u>1,542,117.29</u>	<u>514,039.10</u>	<u>4,773,167.33</u>

**30. Surplus reserves**

<u>Item</u>	<u>2015.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016.06.30</u>
Statutory surplus reserves	<u>20,962,521.51</u>	<u>0.00</u>	<u>0.00</u>	<u>20,962,521.51</u>
Total	<u>20,962,521.51</u>	<u>0.00</u>	<u>0.00</u>	<u>20,962,521.51</u>

**31. Retained earnings**

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Opening balance of retained profits before adjustments	69,522,460.31	67,223,203.93
Total opening balance of retained profits before adjustments (Increase+, decrease-)		
Opening balance of retained profits after adjustments	69,522,460.31	67,223,203.93
Add: Net profit attributable to owners of the Company	17,789,801.36	34,670,486.62
Less: Withdrawal of statutory surplus reserves	0.00	4,562,478.24
Withdrawal of discretionary surplus reserves	0.00	0.00
Withdrawal of generic risk reserve	0.00	0.00
Dividend of common stock payable	18,539,168.00	27,808,752.00
Dividend of common stock transfer into share capital	<u>0.00</u>	<u>0.00</u>
Closing retained profits	<u>68,773,093.67</u>	<u>69,522,460.31</u>

**32. Revenue and Cost of Sales**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Main operations	770,647,435.81	860,571,679.13
Other operations	<u>27,461,253.46</u>	<u>34,622,478.94</u>
Total	<u>798,108,689.27</u>	<u>895,194,158.07</u>
Costs of main operations	653,194,377.94	760,838,332.58
Other operations	<u>9,622,787.16</u>	<u>10,644,964.43</u>
Total	<u>662,817,165.10</u>	<u>771,483,297.01</u>

**33. Business tax and surcharges**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Business tax	968,527.44	2,026,579.47
Education Surcharge	1,000,327.29	522,830.70
Urban construction tax	1,006,737.00	533,328.80
Others	<u>287.43</u>	<u>1,623.21</u>
Total	<u>2,975,879.16</u>	<u>3,084,362.18</u>

**34. Sales expenses**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Export fees	14,112,135.80	16,949,226.08
Employee remunerations	10,567,113.82	11,070,639.29
Claims experiment expenses	7,894,247.30	2,486,199.67
Sales commission and after sales service fees	1,942,157.66	1,846,683.75
Assets lease expenses	465,396.72	1,480,366.65
Business travel charges	1,589,854.17	1,438,843.82
Advertisements charges and sales promotion	2,647,411.74	4,649,273.77
Office expenses	363,891.34	490,754.03
Transport fees	740,092.37	520,230.75
Others	<u>419,860.62</u>	<u>191,911.51</u>
Total	<u>40,742,161.54</u>	<u>41,124,129.32</u>

**35. Administration expenses**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
R&D expenses	36,526,821.94	36,886,667.23
Employee remuneration	15,003,011.98	17,469,263.60
Depreciation and amortization	6,319,391.07	5,451,979.33
Rental charges	9,747,380.98	9,674,237.24
Insurance expenses	574,767.94	876,240.01
Office expenses	1,456,109.90	1,688,863.30
Travel expenses	1,874,034.60	1,774,416.87
Consultant fees	1,657,306.91	1,360,824.10
Maintenance expenses	2,222,064.47	2,987,379.79
Taxes and surcharges	2,069,710.13	1,987,191.55
Others	<u>3,300,040.15</u>	<u>3,934,059.60</u>
Total	<u>80,750,640.07</u>	<u>84,091,122.62</u>

**36. Financial costs**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Interest expenses	142,611.32	1,622,486.32
Less: interest income	3,355,910.83	6,378,250.18
Realized financing incomes	328,327.26	375,581.49
Exchange gains and losses	-7,477,904.70	-5,073,550.77
Bank charges	<u>1,053,218.95</u>	<u>999,158.69</u>
Total	<u>-9,966,312.52</u>	<u>-9,205,737.43</u>

**37. Impairment loss on assets**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Bad debt loss	-1,541,116.89	602,755.00
Impairment loss on inventories	<u>780,305.75</u>	<u>500,978.79</u>
Total	<u>-760,811.14</u>	<u>1,103,733.79</u>

**38. Gains from changes in fair value**

<u>Source of fair value change</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
2. Financial assets measured by fair value and the changes be included in the current profits and losses	27,300.00	4,872,150.00
Of which, gains on the changes in the fair value of derivative financial instruments	27,300.00	4,872,150.00
Financial liabilities measured by fair value and the changes included in the current gains and losses	<u>5,617,750.00</u>	<u>3,928,759.85</u>
Total	<u>5,645,050.00</u>	<u>8,800,909.85</u>

**39. Investment income**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Long-term equity investment income accounted by equity method	0.00	0.00
Investment income arising from disposal of long-term equity investments	0.00	0.00
Investment income received from financial assets measured by fair value and the changes be included in the current profits and losses during holding period	0.00	0.00
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during holding period	-4,442,911.95	4,687,335.49
Investment income from financial products	0.00	1,343,333.33
Others	<u>8,474.00</u>	<u>0.00</u>
Total	<u>-4,434,437.95</u>	<u>6,030,668.82</u>

**40. Non-operating income**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Amount recorded into the non-recurring gains and losses</u>
Total gains from disposal of non-current assets	542,527.01	909,792.35	542,527.01
Including: Gains from disposal of fixed assets	542,527.01	909,792.35	542,527.01
Penalty income	0.00	0.00	0.00
Government subsidies	2,627,972.00	1,571,749.00	2,627,972.00
Inventory profit	0.00	0.00	0.00
Others	<u>1,178,550.39</u>	<u>747,947.82</u>	<u>1,178,550.39</u>
Total	<u>4,349,049.40</u>	<u>3,229,489.17</u>	<u>4,349,049.40</u>

**Government subsidies recorded into current profits and losses:**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Related to assets/related income</u>	<u>Whether non-current gains or losses or not</u>
Patents subsidies	0.00	63,000.00	Related to the income	Yes
Technology development grants	0.00	0.00	Related to the income	Yes
Enterprise development subsidies	936,053.00	0.00	Related to the income	Yes
Subsidies for export letter guarantees	179,419.00	751,749.00	Related to the income	Yes
Special subsidy of Haixi	1,000,000.00	400,000.00	Related to the income	Yes
Sales exhibition subsidy	5,000.00	350,000.00	Related to the income	Yes
Others	<u>507,500.00</u>	<u>7,000.00</u>	Related to the income	Yes
Total	<u>2,627,972.00</u>	<u>1,571,749.00</u>		



**41. Non-operating expenses**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Recorded in the amount of the non-recurring gains and losses</u>
Loss on disposal of non-current assets	17,353.82	117,195.62	17,353.82
Including: Loss on disposal of fixed assets	0.00	103,977.53	0.00
Loss on scraped fixed assets	16,717.75	13,218.09	16,717.75
Fixed assets inventory loss	636.07	0.00	636.07
Fines	3,448.44	1,000.00	3,448.44
Others	<u>40,922.71</u>	<u>0.00</u>	<u>40,922.71</u>
Total	<u>61,724.97</u>	<u>118,195.62</u>	<u>61,724.97</u>

**42. Income tax expense****(1) Lists of income tax expense**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Current income tax expense	2,015,929.23	1,008,377.01
Deferred income tax expense	<u>741,396.70</u>	<u>2,292,380.77</u>
Total	<u>2,757,325.93</u>	<u>3,300,757.78</u>

**(2) Reconciliation of account profit and income tax expenses:**

<u>Item</u>	<u>Reporting Period</u>
Total profits	27,047,903.54
Current income tax expense accounted by tax and relevant regulations	6,761,975.88
Impact of differing tax rates applicable to subsidiaries	-3,940,643.02
Impact of adjustment for prior period tax expenses	-773,057.63
Impact of non-taxable income	
Impact of non-deductible costs, expenses and losses	14,748.95
Impact of utilisation of prior period deductible temporary differences and taxable temporary differences for which no deferred tax asset has been recognised	0.00
Impact of current period deductible temporary differences and taxable temporary differences for which no deferred tax asset has been recognised	2,452,403.78
Adjustment of deferred tax assets and deferred tax liabilities brought forward due to changes in tax rates	
Impact of additional deduction for R&D expenses	<u>-1,758,102.03</u>
Income tax expense	<u>2,757,325.93</u>

**43. Supplementary information to cash flow statement****(1) Other cash received relevant to operating activities:**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Government subsidies	2,627,972.00	1,571,749.00
Interest income	3,375,534.00	5,941,235.93
Rent income	13,693,655.65	19,349,933.72
Funds in current account and others	<u>15,109,150.18</u>	<u>4,157,219.61</u>
Total	<u>34,806,311.83</u>	<u>31,020,138.26</u>

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

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Penalties and donations paid	448.44	1,000.00
Bank charges	1,043,931.11	919,501.88
Sales expenses and general and administrative expenses paid by cash	57,843,445.56	56,972,697.96
Funds in current account and others	<u>41,760,971.41</u>	<u>33,984,065.62</u>
Total	<u>100,648,796.52</u>	<u>91,877,265.46</u>

**(3) Other cash received relevant to investment activities**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
To recover the maturity time deposits that for purpose to earn interest income in financial institutions	<u>75,400,000.00</u>	<u>652,082,700.00</u>
Total	<u>75,400,000.00</u>	<u>652,082,700.00</u>

**(4) Other cash paid relevant to investment activities**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Deposits in financial institutions for the purpose of earning interest income	<u>169,327,000.00</u>	<u>651,316,932.63</u>
Total	<u>169,327,000.00</u>	<u>651,316,932.63</u>

**(5) Other cash received relevant to financing activities**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Inter-bank lending of capital of related parties	<u>4,519,265.19</u>	<u>0.00</u>
Total	<u>4,519,265.19</u>	<u>0.00</u>

**(6) Other cash paid relevant to financing activities: naught****44. Supplementary information to the statement of cash flows****(1) Supplementary information to the statement of cash flows**

<u>Supplemental information</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	24,290,577.61	18,155,365.02
Add: Provision for impairment of assets	-760,811.14	1,103,733.79
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	24,386,736.40	24,525,145.59
Amortization of intangible assets	898,579.42	482,087.40
Long-term unamortized expenses	780,533.53	1,313,574.47
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-542,527.01	-805,814.82
Loss on retirement of fixed assets (gain presented by "-" prefix)	17,353.82	13,218.09
Losses from variation of fair value (gain presented by "-" prefix)	-5,645,050.00	-8,800,909.85

Financial cost (gain presented by "-" prefix)	7,938,507.95	-4,184,003.38
Investment loss (gain presented by "-" prefix)	4,434,437.95	-6,030,668.82
Decrease in deferred income tax assets ((gain presented by "-" prefix)	732,126.64	1,561,558.27
Increase in deferred income tax liabilities ("-" means decrease)	9,270.06	730,621.48
Decrease in inventory (gain presented by "-" prefix)	68,280,511.94	-15,311,458.47
Decrease in accounts receivable from operating activities (gain presented by "-" prefix)	34,939,749.18	23,609,513.78
Increase in payables from operating activities ("-" means decrease)	-219,932,002.64	-87,590,438.01
Others		
Net cash flows generated from operating activities	-60,172,006.29	-51,228,475.46
2. Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3. Movement of cash and cash equivalents:		
Closing balance of cash equivalents	379,934,827.25	370,252,766.71
Less: cash at the beginning of the period	675,803,904.11	469,965,448.01
Add: Closing balance of cash equivalents		
Less: Cash at the beginning of the period		
Net increase in cash and cash equivalents	-295,869,076.86	-99,712,681.30

**(2) Net Cash paid for obtaining the subsidiary**

<u>Item</u>	<u>Amount</u>
Cash or cash equivalent paid for enterprise combination	6,278,499.22
Of which: purchase 100% equity of TsannKuen XianRui Intelligence& Smart Co., Ltd.	6,278,499.22
Less: cash and cash equivalents held by subsidiary on purchase date	184,957.53
Of which:	--
Add: cash or cash equivalent paid for enterprise combination in previous period	
Of which:	--
Net Cash paid for obtaining the subsidiary	<u>6,093,541.69</u>

**(3) Net Cash receive from disposal of the subsidiary: naught****(4) Cash and cash equivalents**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
I. Cash	379,934,827.25	370,252,766.71
Including: Cash on hand	733,184.57	787,002.16
Bank deposit on demand	379,201,642.68	369,465,764.55
Other monetary funds on demand	0.00	0.00
Payable of due from central bank	0.00	0.00
Deposits in other banks	0.00	0.00
Call loans to banks	0.00	0.00
II. Cash and cash equivalents	0.00	0.00
Including: Debt instrument matured within three months	<u>0.00</u>	<u>0.00</u>
III. Closing balance of cash and cash equivalents	<u>379,934,827.25</u>	<u>370,252,766.71</u>

Notes: the restricted cash and cash equivalents of the Company and the subsidiaries of the Group used

Note1: the cash and cash equivalents exclude the restricted cash and cash equivalents the Company and the subsidiaries of the Group used.

Note2: Time deposits for the purpose of earning interest income in financial institutions is CNY174,327,000 and pledge of bank CNY19,640.61 listed as the other cash payments relating to investing activities and deducted from the balance of cash and cash equivalents at the end of current year.

**45. The assets with the ownership or use right restricted**

<u>Item</u>	<u>2016.06.30</u>	<u>Restricted reason</u>
Monetary capital	<u>174,346,640.61</u>	Time deposits for the purpose of earning interest income in financial institutions and pledge
Total	<u>174,346,640.61</u>	

**46. Foreign currency monetary items****(1) Foreign currency monetary items**

<u>Item</u>	<u>Closing foreign currency balance</u>	<u>Exchange rate</u>	<u>Closing convert to RMB balance</u>
Monetary capital			
Including: USD	38,016,334.54	6.6312	252,093,917.52
JPY	18,667,195.30	0.0645	1,203,866.09
IDR	3,976,526,285.38	0.0005	1,992,236.07
EUR	16,535.65	7.3750	121,950.43
GBP	10,354.60	8.9212	92,375.46
HKD	1,625,743.43	0.8547	1,389,474.14
HUF	81,016.00	0.0229	1,852.03
FRF	7.00	6.7729	47.41
TWD	<u>3,343,579.00</u>	<u>0.2054</u>	<u>686,841.79</u>
Total			<u>257,582,560.94</u>
Short-term loans			

Including: USD	10,000,000.00	6.6312	66,312,000.00
TWD	<u>22,000,000.00</u>	<u>0.2054</u>	<u>4,519,265.19</u>
Total			<u>70,831,265.19</u>
Account receivable			
Including: USD	25,713,826.91	6.6312	170,513,110.77
IDR	11,400,000.00	0.0005	5,700.00
JPY	<u>37,003,220.00</u>	<u>0.0645</u>	<u>2,386,374.66</u>
Total			<u>172,905,185.43</u>
Accounts payable			
Including: USD	10,156,288.13	6.6312	67,348,377.85
EUR	631,694.34	7.3750	4,658,745.76
HKD	1,199,447.18	0.8547	1,025,167.50
JPY	2,560,522.00	0.0645	165,153.67
IDR	<u>197,573,380.62</u>	<u>0.0005</u>	<u>98,786.69</u>
Total			<u>73,296,231.47</u>
Other accounts receivable			
OF which: EUR	1,344.00	7.3750	9,912.01
HKD	8,000.00	0.8547	6,837.36
JPY	460,600.00	0.0645	29,704.55
USD	21,477.05	6.6312	142,418.61
IDR	1,464,715,258.00	0.0005	732,357.63
TWD	<u>3,226,171.00</u>	<u>0.2054</u>	<u>662,723.27</u>
Total			<u>1,583,953.43</u>
Other account payable			
Of which: HKD	180,727.55	0.8547	154,462.41
JPY	59,579.00	0.0645	3,842.31
USD	693,672.28	6.6312	4,599,879.70
EUR	1,030.00	7.3750	7,596.25
IDR	1,138,200,597.00	0.0005	569,927.33
TWD	<u>1,957,304.00</u>	<u>0.2054</u>	<u>402,071.61</u>
Total			<u>5,737,779.61</u>

## (2) Description of overseas operating entities

The Company's holding sub-subsidiaries company Pt. Star Comgistic Indonesia locate at West Java province in Indonesia, due to Pt. Star Comgistic Indonesia are mostly settled in US dollars by usual purchases and sales, so that it adopt the US dollar as its functional currency.

## VII. Changes of scope of consolidation financial statements

### 1. Business combination not under the same control: naught

### 2. Business combination under the same control

On 24 April 2015, the Company held the 2015 2nd Board of Directors had approved the resolutions, of which the controlling subsidiary Zhangzhou Tsann Kuen Industrial Co., Ltd. (named "Zhangzhou Tsann Kuen" for short with the shareholding of 75%) and firstly set up the wholly owned subsidiary Orient Star Investments Limited (named "Orient Star Investments") then secondly Orient Star Investments invested and purchased the 100% equities of the wholly owned subsidiary Tsannkuen Edge Intelligence Co., Ltd. (named "Tsannkuen Edge Intelligence" for short) of STAR COMGISTIC CAPITAL CO., LTD. (named "STAR COMGISTIC CAPITAL" for short). Orient Star Investments received the relevant letter about approving the purchase of the 100% equities of Tsannkuen Edge Intelligence from Taiwan competent authorities on 15 March 2016 and amount that STAR COMGISTIC CAPITAL received the purchase of the whole equities of Tsannkuen Edge Intelligence by Orient Star Investments on 21 March 2016 was of USD968,545.48. And had completed the relevant alternation procedures of the commercial registration of the equity transfer on 19 April 2016 and with the details, please refer to the Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 25 April 2015, the Correcting Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 28 April 2015, Announcement on the Completion of the Commercial Registration Procedures of the Hong Kong Wholly-owned Subsidiary of Zhangzhou Tsann Kuen that disclosed on Securities Times, Hong Kong

Ta Kung Pao and www.cninfo.com.cn on 21 May 2015, Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Purchased Tsannkuen Edge Intelligence and the Progress of the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 March 2016 and the Announcement on the Completion of the Commercial Alternation Registration of the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen through the Purchase of Tsannkuen Edge Intelligence by Hong Kong Subsidiary that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 April 2016.

### 3. Other reasons for the changes in combination scope

On 2 March 2016, the Company established Xiamen Tsannkuen Home Appliance Design Co., Ltd. (“XTHAD”) with registration capital of CNY1 million.

## VIII. Equity in other main entities

### 1. The equity in subsidiaries

#### (1) The structure of the enterprise group

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Acquired method
				Directly	Indirectly	
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Zhangzhou	Zhangzhou	Manufacture home electronic appliance	75	75	Acquired through incorporation
TsannKuen (Shanghai) Enterprise Co., Ltd.	Shanghai	Shanghai	Manufacture home electronic appliance	46.875	62.5	Acquired through business combination under common control
TsannKuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. (TKN)	Zhangzhou	Zhangzhou	Manufacture home electronic appliance	56.25	75	Acquired through incorporation
Shanghai Canxing Trading Co.,Ltd (STD)	Shanghai	Shanghai	Sale of home appliance	56.25	75	Acquired through incorporation
East Sino Development Limited. (East Sino)	Hong Kong	Hong Kong	Investment, Trading	75	100	Acquired through business combination under common control
Pt.Star Comgistic Indonesia(SCI)	Indonesia	Indonesia	Manufacture home electronic appliance	75	100	Acquired through business combination under common control
Orient Star Investments Limited (OSI)	Hong Kong	Hong Kong	Investment, Trading	75	100	Acquired through business combination under uncommon control
Tsann Kuen Xianrui Intelligence Co., Ltd.	Taiwan	Taiwan	Design Industry. R&D Development Service Business	75	100	Acquired through business combination under common control
Xiamen Tsannkuen Home Appliance Design Co., Ltd. (“XTHAD”)	Xiamen	Xiamen	Professional design services	100	100	Acquired through incorporation

**(2) Significant not wholly owned subsidiary**

Name	Holding proportion of minority shareholders (%)	Profit and loss attributable to minority equity during current year	Dividends attributable to minority shareholders	Total amount of minority equity at the end of current year
TKL	25	9,082,226.85	13,824,332.69	260,404,632.99
TKS	53.125	858,214.43		35,042,787.82
SCI	25	-2,539,657.18		23,223,207.73

**(3) The main financial information of significant not wholly owned subsidiary**

Name of subsidiaries	2016.06.30					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
TKL	1,446,629,186.39	332,182,795.49	1,778,811,981.88	557,441,913.00	4,095.00	557,446,008.00
TKS	74,397,172.80	19,893,925.53	94,291,098.33	3,146,765.94		3,146,765.94
SCI	39,045,616.21	70,075,412.67	109,121,028.88	15,981,500.89	246,506.61	16,228,007.50

(Continued)

Name of subsidiary	2015.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
TKL	1,764,872,221.80	262,407,959.13	2,027,280,180.93	712,182,173.58		712,182,173.58
TKS	71,502,200.29	21,284,942.62	92,787,142.91	3,258,272.98		3,258,272.98
SCI	46,200,836.76	70,963,481.35	117,164,318.11	22,361,305.46	241,391.76	22,602,697.22

(Continued)

Name	Reporting Period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
TKL	757,339,909.16	36,328,907.41		94,566,449.14
TKS	1,319,683.80	1,615,462.46		2,516,500.80
SCI	30,021,531.63	-10,158,628.72		-2,690,472.42

(Continued)

Name	Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
TKL	849,902,598.38	21,350,785.76		-46,378,546.22
TKS	3,074,552.27	-1,726,465.40		279,283.47
SCI	35,414,003.17	-4,647,501.10		-5,114,464.46

**2. The transactions which change the owner's equity of subsidiaries, and through the transactions that the owner still control the subsidiaries****(1) Note to owner's equity share changed in subsidiary**

The subsidiary of the Company - TKL purchased 0.31% of capital which is held by Hong Kong Fillman investment Co., Ltd. of SCI through OSI, and leading to the proportion of the shareholding of SCI by TKL increase to 100% for East Sino. As of the reporting date,

the equity transfer was still under processing.

In order for operation, business and investment structure integration, on 27 January 2016, the board of the Company resolved to transfer its entire 62.5% stake in Tsann Kuen China (Shanghai) Enterprise Co., Ltd. (“TKS”) to TsannKuen (Zhangzhou) Enterprise Co., Ltd. (“Zhangzhou Tsann Kuen”) for RMB0.13 billion, and the formalities of share transfer and business license alteration were completed on 24 May 2016. For details, please refer to the Announcement on Transfer of Stake in Controlled Subsidiary TKS dated 28 January 2016, the Announcement on Progress on Transfer of Stake in Controlled Subsidiary TKS dated 27 April 2016 and the Announcement on Completion of Business License Alteration Formalities of Transfer of Stake in Controlled Subsidiary TKS dated 25 May 2016, all disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn.

**(2) The transaction’s influence to equity of minority shareholders and attributable to the owner's equity of the parent company**

Item	TKS
Disposal consideration	
-Cash	32,500,000.00
Total	32,500,000.00
Less: subsidiary net assets proportion calculated by share proportion disposal	13,809,097.47
Difference	18,690,902.53
Including: adjustment of capital reserves	18,690,902.53

**IX. The risk related financial instruments**

The main financial instruments of the Company including equity investments, loans, accounts receivable, accounts payable, derivative financial instruments and etc., please see Note 6 for detail of related items. The risk associated with financial instruments, and risk management policies which the company uses to reduce these risks as described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range.

**(I) The targets and policies of risks management**

The target of risks management is to obtain the proper balance between the risks and benefits, to reduce the negative impact that caused by the risk of the Company to the lowest level, and to maximize the benefits of shareholders and other equity investors. Based on the targets of risk management, the basic strategy of the Company’s risk management is to identify and analyze the risks which are faced by the Company, establish suitable risk tolerance baseline and precede the risk management, and supervise a variety of risks timely and reliably, and control the risk within a limited range.



## 1. Market risk

### (1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations generally. The company bears the foreign exchange risk primarily concerned with USD, JYP, IDR, EUR and HKD, in addition to the Company's subsidiary TKL and SCI purchases and sales used by USD, the other main business activities of the Company used by CNY. On 30 June 2016, except the following assets or liabilities are recorded in foreign currency, the others are recorded in CNY. Foreign exchange risk of the assets and liabilities in foreign currencies may have an impact on the Company's performance of operation.

<u>Item</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Monetary capital	257,582,560.94	262,950,990.89
Account receivable	172,905,185.43	198,184,235.89
Other accounts receivable	1,583,953.43	1,769,024.57
Accounts payable	73,296,231.47	51,548,246.08
Other account payable	5,737,779.61	2,777,186.80
Short-term loans	70,831,265.19	0.00

The Group purchases foreign currency forward contracts to reduce the foreign exchange risk, and foreign currency forward contracts shall be based on the amount of foreign currency assets.

### (2) Interest rate risk- cash flow change risk

Due to the risk of changes in cash flows of a financial instrument is mainly concerned with the floating rate of bank borrowings. The company's policy is to maintain a floating interest rate on the borrowings.

## 2. Credit risk

That could cause the Company's maximum credit risk of financial losses mainly from the losses of financial assets, which are resulted by the other party of contract fails to fulfill the obligations, as at 30 June 2016.

In order to reduce credit risk, the Company set up a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that the necessary measures be taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure recognized fully provision for bad debts for the money cannot be recovered. So that the Company's management believes the Company's credit risk has been greatly reduced.

The Company's circulating funds deposited in banks which with high credit ratings, so that the lower credit risk of circulating funds.

### 3. Liquidity Risk

When managing liquidity risk, the Company's management believes that maintaining adequate cash and cash equivalents, and monitoring that at same time, in order to meet the needs of operation of the Company, and to reduce the impact of fluctuations in cash flows. The management of the Company monitors the use of bank borrowings and ensures to abide by loan agreements.

## X. Disclosure of the fair value

### 1. Closing fair value of assets and liabilities calculated by fair value

<u>Item</u>	<u>Closing fair value</u>			<u>Total</u>
	<u>Fair value measurement items at level 1</u>	<u>Fair value measurement items at level 2</u>	<u>Fair value measurement items at level 3</u>	
I. Consistent fair value measurement				
Financial assets measured by fair value and the changes be included in the current profits and losses				
1. Trading financial assets				
(1) Debt instruments investment				
(2) Equity tool investment				
(3) Derivative financial assets	<u>27300.00</u>			<u>27300.00</u>
Total assets of consistent fair value measurement	<u>27300.00</u>			<u>27300.00</u>
II. Trading financial liabilities				
including: tradable bond issued				
Derivative financial liabilities	2,844,750.00			2,844,750.00
Others				
Total liabilities of consistent fair value measurement	<u>2,844,750.00</u>			<u>2,844,750.00</u>

### 2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

Based on the identical assets or liabilities acquired on unadjusted quoted in an active market at balance sheet day.

## XI. Related party and related transaction

### 1. Details of the parent

<u>Name of parent company</u>	<u>Whether related transaction</u>	<u>Type of incorporation</u>	<u>Registration place</u>	<u>Legal Representative:</u>	<u>Nature of business</u>
STAR COMGISTIC CAPITAL CO.,LTD.	Final control company	INC	Taiwan	Yang Wenfang	Manufacture and sales electrical equipment
(Continued)					
<u>Name of parent company</u>	<u>Registered capital</u>	<u>Proportion of share held by parent company against the Company (%)</u>	<u>Proportion of voting rights owned by parent company against the Company (%)</u>	<u>The ultimate controller of the enterprise</u>	<u>Organization code</u>
STAR COMGISTIC CAPITAL CO.,LTD.	TWD 1,343,000.00thousand	42.90	44.68	Wu Cankun	28986660

## 2. Subsidiaries of the Company

See Note VIII.1 “The equity in subsidiaries”.

## 3. Information on the joint ventures and associated enterprises of the Company

No such case in Reporting Period.

## 4. Details of other related parties

Name	Relationship	Organization code
EUPA Industry Corporation Limited	Shareholder	12959659-000-07-15-6
Hong Kong Fordchee Development Limited	Shareholder	14676920-000-01-15-5
Fillman Investments Limited	Shareholder	16269694-000-07-15-4
TsannKuen Japan Co., Ltd.	Same ultimate holding company	0105-01-021064
Xiamen Shengming Electronics Co., Ltd.	The company directly controlled by the key management and closed family members	61201968-5
International Travel Co., Ltd.	Same ultimate holding company	80170076
Star International Travel Co., Ltd.	Same ultimate holding company	80355209
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	Ultimate holding company have equity	31055232-9
TsannKuen Enterprise Co., Ltd.	Same ultimate holding company	69568009
Fast Three E-commerce Service Co., Ltd.	Same ultimate holding company	54676114

## 5. Transactions with related parties

### (1) Transactions through purchase or sell goods and accept or supply services

#### ① The situation of purchases goods or accepts services

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Xiamen Shengming Electronics Co., Ltd.	Purchase of goods	14,355,901.32	42,000,000.00	No	16,625,490.15
STAR COMGISTIC CAPITAL CO.,LTD.	Purchase of goods	0.00	0.00	No	2,297,732.78
TsannKuen Enterprise Co., Ltd.	Purchase of goods	12265.48	0.00	Yes	0.00
Total		14,368,166.80	42,000,000.00		18,923,222.93

Notes: The related transactions above over the approved line was because controlled sub-subsiary Orient Star Investments Limited acquired related party Star Comgistic Capital Co., Ltd.'s entire stake in Tsannkuen Edge Intelligence Co., Ltd. in this March, and the formerly non-related transactions between Tsannkuen Edge Intelligence and some related parties of the Company (these transactions had occurred before the equity transfer and are likely to continue) have become related transactions due to the equity transfer. The Company did not disclose an announcement on these transactions after the equity transfer because they were of a small amount (not reaching the disclosable standard).

#### ② The situation of sells goods or rendering services

Related party	Content	Reporting Period	Same period of last year
TsannKuen Japan Co., Ltd.	Sale of goods	0.00	2,664,287.68
STAR COMGISTIC CAPITAL CO.,LTD.	Sale of goods	7,864,689.34	6,763,782.24
Total		7,864,689.34	9,428,069.92

**(2) Information of related lease**

① The Company is as the lessor

Name of lessee	Category of leased assets	Reporting Period	Same period of last year
Tsann Kuen (Xiamen) Trading Co., Ltd.	House property	0.00	750,000.00
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	House property	32,760.00	65,400.00
Total		32,760.00	815,400.00

② The Company is as the lessee

lessor	Category of leased assets	Reporting Period	Same period of last year
STAR COMGISTIC CAPITAL CO.,LTD.	House property	78,672.13	62,682.97
Total		78,672.13	62,682.97

**(3) Assets transfer, Debt restructuring between related parties**

Related party	Content	Reporting Period	Same period of last year
TsannKuen Enterprise Co., Ltd.	Sale of fixed assets	6,882.63	125,740.89
Total		6,882.63	125,740.89
PT.ShenMin Sukabumi	Purchase of the fixed assets	0.00	833,976.44
Total		0.00	833,976.44

**(4) Inter-bank lending of capital of related parties:**

Related party	Amount borrowed and loaned	Initial date	Due date	Note
Borrowed:				
STAR COMGISTIC CAPITAL CO.,LTD.	12,000,000.00	2016/4/1	2017/3/27	Loan of TWD
STAR COMGISTIC CAPITAL CO.,LTD.	2,000,000.00	2016/4/7	2017/3/27	Loan of TWD
STAR COMGISTIC CAPITAL CO.,LTD.	3,000,000.00	2016/4/15	2017/3/27	Loan of TWD
STAR COMGISTIC CAPITAL CO.,LTD.	3,000,000.00	2016/5/9	2017/3/27	Loan of TWD
STAR COMGISTIC CAPITAL CO.,LTD.	2,000,000.00	2016/6/15	2017/3/27	Loan of TWD
Total	22,000,000.00			

**(5) Other related-party transactions**

Related party	Content	Reporting Period	Same period of last year
Sales revenue			
TsannKuen Enterprise Co., Ltd.	Render service	20,443.50	0.00
Total		20,443.50	0.00
Payment			
STAR COMGISTIC CAPITAL CO.,LTD.	Procurement agency fee(Note1)	0.00	108,256.44
Star International Travel Co., Ltd.	Air ticket service charge	167,138.95	32,708.28
STAR COMGISTIC CAPITAL CO.,LTD.	Loan interests	14,216.98	0.00

Total	181,355.93	140,964.72
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Notes: the Company and its subsidiary entrusted related companies with purchasing raw material, model and equipments, the relevant agent fee(including service charge)was 110% payment of the actual operation expenses of the agent.

## 6. Receivables and payables of related parties

### (1) Receivables

Name of item	2016.06.30		2015.12.31	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable:				
TsannKuen Japan Co., Ltd.	0.00	0.00	364,434.74	0.00
STAR COMGISTIC CAPITAL CO.,LTD.	3,878,197.41	0.00	3,768,255.21	0.00
Total	3,878,197.41	0.00	4,132,689.95	0.00

### (2) Payables

Name of item	2016.06.30	2015.12.31
Accounts payable:		
Xiamen Shengming Electronics Co., Ltd.	7,768,854.04	11,011,858.28
STAR COMGISTIC CAPITAL CO.,LTD.	0.00	31,418.63
Total	7,768,854.04	11,043,276.91
Prepayment:		
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	10,056.60	9,060.00
STAR COMGISTIC CAPITAL CO.,LTD.	0.00	40,749.12
Total	10,056.60	49,809.12
Other account payable:		
TsannKuen Japan Co., Ltd.	0.00	3,476.28
STAR COMGISTIC CAPITAL CO.,LTD.	4,564,422.37	60,616.98
Star International Travel Co., Ltd.	0.00	26,744.02
TsannKuen Enterprise Co., Ltd.	53.20	150,084.82
Fast Three E-commerce Service Co., Ltd.	431.38	0.00
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	13,720.00	48,200.00
Total	4,578,626.95	289,122.10

## XII. Stock payment

No such cases in Reporting Period.

### XIII. Commitments and contingency

#### 1. Significant commitments

As of the end of balance sheet date, the irrevocable operating lease commitments that the Company signed were as followed:

<u>Item</u>	Unit: CNY ten thousands	
	<u>2016.06.30</u>	<u>2015.12.31</u>
Minimum lease payments of irrevocable operating lease		
Rental of houses		
1 year after balance date	3,727	3,727
2 year after balance date	3,727	3,727
3 year after balance date	3,727	3,727
Future years	<u>122,984</u>	<u>126,711</u>
Total	<u>134,165</u>	<u>137,892</u>

#### 2. Contingency

The subsidiary of the Company -TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL) signed the < Product Supply Agreement> with XindaElectromechanics Co., Ltd. (hereafter, Xinda) on July 20, 2009. The validity of the contract is from July 1, 2009 to June 30, 2012. Furthermore, on 1 January 2011, they signed the <TsannKuen(Zhangzhou) Enterprise Co., Ltd. 2011 ED Procurement Contract> and relevant <Special Arrangement Clauses>, and other agreements. According to those agreements, TKL should purchase products from Xinda. TKL rejected to pay for the purchase and terminated those agreements due to the poor quality products from Xinda. On 2 November 2011, Xinda lodged petition for civil litigation to the Intermediate People's Court of Zhangzhou for the order of Intermediate People's Court of Zhangzhou that TKL pay for purchase from Xinda amounting to USD 479,089.06 (CNY 3,071,535.78) immediately together with the liquidated damages for delay payment and resume performance of the agreement (the value of the unperformed agreement amounting to USD 189,423.25).

On 8 January 2012, TKL lodged counterclaim to the Court claiming that due to unsatisfactory quality of goods supplied by Xinda, goods supplied by TKL had been returned from clients and orders cancelled, resulting in substantial financial loss and reputation damage suffered by the TKL. TKL therefore petitioned for the court order for relief of agreement and that Xinda shall pay to TKL liquidated damage amounting to CNY 1 million together with financial loss amounting to CNY 7.6216 million.

Intermediate People's Court of Zhangzhou made the judgement on 15 August 2013 as follow:

- a. TKL should pay goods payments amount USD479, 089.06 to plaintiff Xinda within 15 days from the date on which the judgement becomes effective, equivalent to CNY3, 071,535.78.
- b. Plaintiff Xinda and the third party BoLuoLianyuan industry Co., Ltd. (hereafter Lianyua) should jointly pay the liquidated damage for CNY1,233,399.70 to TKL within 15 days from the date on which the judgement becomes effective.
- c. Unperformed 10 orders entered into by TKL, Xinda and Lianyuan are declared cancelled.
- d. Reject other claims partitioned by the plaintiff Xinda.

e. Reject other claims partitioned by TKL. After the first judgment, both parties appealed against the judgment.

Up to the end of the reporting date, the financial statement of TKL included accounts payable to Xinda amounting to USD 479,089.06. As the second hearing was yet to be finalized, TKL unrecognized contingent assets CNY1,233,399.70 to Xinda.

(2) The subsidiary of the Company - TsannKuen China (Shanghai) Enterprise Co., Ltd. (hereafter, TKS) signed the Plant Leasing contract with Shanghai Liangxin Industrial Co., Ltd. (hereafter, SHLX) at November 2007, and leased the plant (including plant affiliated land, ground buildings and related ancillary equipment, etc) located in No. 4407 Caoan Road Jiading District, Shanghai to SHLX. The real estate certificate of leasehold is Hu Fangdi Jia Zi (2006) No. 011945, the lease period is from November 2007 to November 2019, the purpose to the lessee for the use of legitimate factory and storage. The provisions of contract point out if the lessee need to build plant because of production should to obtain government and relevant authorities' agreements. Except to confiscate the deposit, the lessor can terminate the contract and does not have to undertake any responsibility if the lessee sublease the leasehold, make improvement or addition to the leasehold without to obtain the written consent from lessor.

TKS submitted the civil action to Shanghai Jiading District People's Court by cause of action "the lessee SHLX decorated and subleased the leasehold to Shanghai Hujia Fruit Sales Limited Company (hereafter, SHHJ) without to obtain the written consent from lessor" on 28 October 2015, and required early termination of the Plant Leasing contract with SHLX, and required SHHJ to terminate construction and to repristinate the leasehold. In July 2016, TKS appealed to Shanghai Jiading District People's Court by cause of requiring SHXL repristinate the leasehold.

Up to the end of the reporting date, the civil action is still in process.

## XIV. Events after balance sheet date

### 1. Significant events had not adjusted

Applicable  Not applicable

### 2. Profit distribution

Unit: RMB Yuan

Planning allocation of profits or dividends	18539,168.00
Profits or dividends approved, reviewed and issue by the declaration	18539,168.00

## XV. Other significant events

On 15 March 2016, one of the Company's product(No.TSK-2131GPN) on"3.15"Evening held by CCTV was disqualification in spot check of national quality surveillance examination. Due to the cases, the stock of the Company suspended for one day, the Company set up emergency project working group, and conducted the follow-up recall, rectify and reform to the product. The relevant details please referred to Announcement on Dealing with Quality Problem of the Company and the Stock Resumption Of Trading disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 17 March 2016

As of so far, the Company and its subsidiary TsannKuen (Zhangzhou) Enterprise Co., Ltd. had completed the recall, rectify and reform, and had submitted relevant explanation and reform report to the government quality inspection department, and wait for the reviewing and recognizing of the punishment. The Company will disclose the relevant information after receiving the punishment file.

## XVI. Notes of main items in the financial statements of the Company

### 1. Accounts receivable

#### (1) Accounts receivable classified by category

Item	Book balance		2016.06.30 Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Withdrawal proportion(%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	0.00	0.00	0.00	0.00	0.00
Portfolio by age	40,598,515.96	98.95	444,150.55	1.09	40,154,365.41
Related party group	429,673.02	1.05	0.00	0.00	429,673.02
Subtotal	<u>41,028,188.98</u>	100.00	<u>444,150.55</u>	1.08	<u>40,584,038.43</u>
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	<u>41,028,188.98</u>	<u>100.00</u>	<u>444,150.55</u>	<u>1.08</u>	<u>40,584,038.43</u>

(Continued)

Item	Book balance		2015.12.31 Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	0.00	0.00	0.00	0.00	0.00
Portfolio by age	23,013,044.53	95.39	128,400.47	0.56	22,884,644.06
Related party group	1,112,512.12	4.61	0.00	0.00	1,112,512.12
Subtotal	<u>24,125,556.65</u>	100.00	<u>128,400.47</u>	0.53	<u>23,997,156.18</u>
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	<u>24,125,556.65</u>	<u>100.00</u>	<u>128,400.47</u>	<u>0.53</u>	<u>23,997,156.18</u>

#### ① Accounts receivable using the age analysis method for measurement of allowance for bad debt

Aging	2016.06.30		
	Amount	Bad debt provision	Proportion (%)
Within 1 year	40,598,515.96	444,150.55	1.09
Including: 1-90 days	37,389,982.03		0.00
91-180 days	2,592,048.15	259,204.82	10.00
181-270 days	<u>616,485.78</u>	<u>184,945.73</u>	<u>30.00</u>
Total	<u>40,598,515.96</u>	<u>444,150.55</u>	<u>1.09</u>



## ② In the groups, accounts receivable using related party method for measurement of allowance for bad debt

Item	2016.06.30		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	<u>429,673.02</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>429,673.02</u>	<u>0.00</u>	<u>0.00</u>

## (2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of allowance for bad debts recognized during the Reporting Period is CNY315,750.08; the amount of recovered or reversed allowance for bad debts during the Reporting Period is of CNY0.

## (3) Particulars of the actual verification of accounts receivable during the Reporting Period

## (4) Details of top five accounts receivable

The total amount of top five accounts receivables summarized by debtors as at the end of the Reporting Period is CNY40,833,005.43, accounting for 99.52% of the total accounts receivable as at the end of the Reporting Period, the total corresponding allowance for bad debts is CNY518,355.55.

## 2. Other accounts receivable

## (1) Disclosure by classification

Item	2016.06.30				Book value
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Withdrawal proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Portfolio by age	566,372.26	73.19	86,304.10	15.24	480,068.16
Related party group	<u>11,480.67</u>	<u>1.48</u>	<u>0.00</u>	<u>0.00</u>	<u>11,480.67</u>
Subtotal	<u>577,852.93</u>	<u>74.67</u>	<u>86,304.10</u>	<u>14.94</u>	<u>491,548.83</u>
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>196,000.00</u>	<u>25.33</u>	<u>0.00</u>	<u>0.00</u>	<u>196,000.00</u>
Total	<u>773,852.93</u>	<u>100.00</u>	<u>86,304.10</u>	<u>11.15</u>	<u>687,548.83</u>

(Continued)

Item	2015.12.31				Book value
	Book balance Amount	Proportion (%)	Bad debt provision Amount	Withdrawal proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Portfolio by age	495,720.01	16.19	50,715.73	10.23	445,004.28
Related party group	<u>2,339,840.30</u>	<u>76.43</u>	<u>0.00</u>	<u>0.00</u>	<u>2,339,840.30</u>
Subtotal	<u>2,835,560.31</u>	<u>92.62</u>	<u>50,715.73</u>	<u>1.79</u>	<u>2,784,844.58</u>
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>226,000.00</u>	<u>7.38</u>	<u>0.00</u>	<u>0.00</u>	<u>226,000.00</u>
Total	<u>3,061,560.31</u>	<u>100.00</u>	<u>50,715.73</u>	<u>1.66</u>	<u>3,010,844.58</u>

## ① In the groups, other receivable using the age analysis method for measurement of allowance for bad debt

Aging	2016.06.30		
	Other accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	491,888.16	11,820.00	2.40
Including: 1-90 days	452,488.16		0.00
91-180 days	17,200.00	1,720.00	10.00

181-270 days	5,000.00	1,500.00	30.00
271-365 days	17,200.00	8,600.00	50.00
1-2years	<u>74,484.10</u>	<u>74,484.10</u>	<u>100.00</u>
Total	<u>566,372.26</u>	<u>86,304.10</u>	<u>15.24</u>

## (2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB35,588.37; the amount of the reversed or collected part during the Reporting Period was of RMB000.

## (3) Particulars of the actual verification of other accounts receivable during the Reporting Period

There was no actual write-off other accounts receivable

## (4) Disclosure by account nature

<u>Nature</u>	<u>2016.06.30</u>	<u>2015.12.31</u>
Non-related party	762,372.26	721,720.01
Related	<u>11,480.67</u>	<u>2,339,840.30</u>
Total	<u>773,852.93</u>	<u>3,061,560.31</u>

## (5) The top five other account receivable classified by debtor at period-end

<u>Items</u>	<u>Nature</u>	<u>Amount</u>	<u>Aging</u>	<u>% of total</u>	<u>Closing balance of bad debt provision</u>
No.1	Water & electricity fees	245,517.79	0-30 days	31.73	
No.2	Margin	156,000.00	Over 1 years	20.16	
No. 3	Premium	140,000.00	0-30 days	18.09	
No. 4	Litigation costs	34,400.00	120-360 days	4.45	10,320.00
No. 5	Margin	<u>30,000.00</u>	Over 1 years	<u>3.88</u>	
Total		<u>605,917.79</u>		<u>7831</u>	<u>10,320.00</u>

## 3. Long-term equity investment

### (1) Long-term equity investment

<u>Item</u>	<u>2016.06.30</u>			<u>2015.12.31</u>		
	<u>Book balance</u>	<u>Depreciation reserves</u>	<u>Book value</u>	<u>Book balance</u>	<u>Depreciation reserves</u>	<u>Book value</u>
Investment to the subsidiary	922,914,701.56		922,914,701.56	1,116,460,573.74	130,646,542.91	985,814,030.83
Total	<u>922,914,701.56</u>	<u>0.00</u>	<u>922,914,701.56</u>	<u>1,116,460,573.74</u>	<u>130,646,542.91</u>	<u>985,814,030.83</u>

### (2) Investment to the subsidiary

<u>Investee</u>	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>	<u>Withdrawn impairment provision in the Reporting Period</u>	<u>Closing balance of impairment provision</u>
TKS	194,545,872.18	0.00	194,545,872.18	0.00	-130,646,542.91	0.00
TKL	921,914,701.56	0.00	0.00	921,914,701.56	0.00	0.00
Xiamen Tsannkuen Home Appliance Design Co., Ltd.	0.00	1,000,000.00	0.00	1,000,000.00	0.00	0.00
Total	<u>1,116,460,573.74</u>	<u>1,000,000.00</u>	<u>194,545,872.18</u>	<u>922,914,701.56</u>	<u>-130,646,542.91</u>	<u>0.00</u>

**4.Revenues and operating costs**

Item	Reporting Period	Same period of last year
Main operations	54,967,379.49	69,782,827.53
Other operations	<u>9,316,802.67</u>	<u>8,891,978.93</u>
Total	<u>64,284,182.16</u>	<u>78,674,806.46</u>
Costs of main operations	50,167,049.69	61,811,239.11
Other operation cost	<u>1,244,429.96</u>	<u>2,264,495.34</u>
Total	<u>51,411,479.65</u>	<u>64,075,734.45</u>

**5.Investment income**

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	41,472,998.07	28,286,287.22
Investment income arising from disposal of long-term equity investments	66,100,670.73	
Others	<u>8,474.00</u>	<u>0.00</u>
Total	<u>107,582,142.80</u>	<u>28,286,287.22</u>

**XVII. Supplementary materials****1.Items and amounts of extraordinary gains and losses**

Item	Amount	Explanation
Gains or losses arising from disposal of non-current assets(including assets impairment withdrawn had been offset)	525,173.19	Mainly was non-current assets
Tax return and relief approved ultra vires or without any official approval documents		
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	2,627,972.00	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses		
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments		
Gain/loss on non-monetary asset swap		
Gain/loss on entrusting others with investments or asset management		
Asset impairment provisions due to acts of God such as natural disasters		
Gains and losses from debt restructuring		
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.		
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices		
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date	-2,224,231.59	Loss before Tsannkuen Edge Intelligence Co., Ltd.
Profit and loss from contingencies irrelative to the normal business operations of company		
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	1,202,138.05	Mainly was the income from sale of forward foreign exchange contract investment and change in fair value

Item	Amount	Explanation
Depreciation reserves returns of receivables with separate depreciation test		
Gain/loss on entrustment loans		
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations		
Custody fee income when entrusted with operation		
Other non-operating income and expenses other than the above	1,134,179.24	
Project confirmed with the definition of non-recurring gains and losses and losses		
Less: Income tax effects	848,609.22	
Minority interests effects (after tax)	571,672.87	
Total	1,844,948.80	

## 2. Yield Rate of Net Assets and Earnings Per Share

Profit as of Reporting Period	Weighted average yield rate of net assets%	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	3.11	0.10	0.10
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	2.79	0.09	0.09

## 3. Differences between accounting data under domestic and overseas accounting standards

**(1) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards: naught**

**(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards: naught**

**(3) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions: naught**

## 4. Reasons and details of extraordinary movement of significant items of financial statements

Unit: RMB Yuan

Item	Closing balance	Opening amount	YOY Increase	Reason of change
Financial assets measured by fair value and the changes be included in the current profits and losses	27,300.00	0.00	100.00	Mainly due to the valuation of interests of forward foreign exchange contract;
Notes receivable	3,388,917.00	1,483,710.00	128.41	Mainly due to the undue note receivable;
Other accounts receivable	25,608,750.65	50,308,515.39	-49.10	Mainly due to receiving tax refund;
Other current assets	238,495,735.19	89,858,232.99	165.41	Mainly due to purchasing CNY 150 million financial products;
Construction in progress	396,547.71	210,796.20	88.12	Mainly due to contracting construction engineering;

Item	Closing balance	Opening amount	YOY Increase	Reason of change
Other non-current assets	1,991,186.65	6,264,771.15	-68.22	Mainly due to prepayment of equipment checked and accepted;
Short-term loans	70,831,265.19	0.00	100.00	Mainly due to increase of bank short term loan;
Financial liabilities measured by fair value and the changes included in the current gains and losses	2,844,750.00	8,462,500.00	-66.38	Mainly due to the valuation of interests loss of forward foreign exchange contract;
Accounts payable	397,421,000.82	575,930,730.06	-30.99	Mainly due to the decrease of operating income and the relevant payment purchase of material decreased;
Interest payable	140,337.30	0.00	100.00	Mainly due to withdrawal of interest of bank short term loan;
Other comprehensive income	4,773,167.33	3,231,050.04	47.73	Mainly due to the increase of converted difference of the foreign currency statement;

Item	Reporting Period	Same period of last year	YOY Increase	Reason of change
Asset impairment loss	-760,811.14	1,103,733.79	-168.93	Mainly due to the receivable of bad debt provision;
Gains on the changes in the fair value	5,645,050.00	8,800,909.85	-35.86	Mainly due to decrease of valuation of interests of forward foreign exchange contract;
Investment income	-4,434,437.95	6,030,668.82	-173.53	Mainly due to decrease of delivery income of forward foreign exchange contract;
Non-operating gains	4,349,049.40	3,229,489.17	34.67	Mainly due to the increase of government subsidy;
Non-operating expenses	61,724.97	118,195.62	-47.78	Mainly due to the decrease of loss on scraped fixed assets;
Net cash flows generated from financing activities	37,283,764.50	198,385,922.40	-81.21	Mainly due to the YOY decrease of loan;
Net increase in cash and cash equivalents	-295,869,076.86	-99,712,681.30	-196.72	Mainly due to the YOY decrease of loan;