TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

2017 Semi-annual Financial Report

(Unaudited)

August 2017

1. Consolidated balance sheet

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

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	610,480,711.93	749,497,115.33
Settlement reserves		
Intra-group lendings		
Financial assets measured at fair value of which changes are recorded in current profits and losses	1,881,750.00	
Derivative financial assets		
Notes receivable	990,000.00	1,341,076.70
Accounts receivable	242,579,524.63	273,086,616.38
Accounts paid in advance	24,784,622.14	6,964,904.97
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	1,038,777.61	5,519.56
Dividend receivable		
Other accounts receivable	37,688,979.32	40,381,756.08
Financial assets purchased under agreements to resell		
Inventories	190,784,550.61	223,569,121.90
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	281,488,319.23	139,354,484.01
Total current assets	1,391,717,235.47	1,434,200,594.93
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	39,431,574.89	42,158,120.51
Fixed assets	175,644,211.63	174,529,010.36
Construction in progress	495,974.59	269,633.08
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	28,363,603.13	23,840,277.12
R&D expense		
Goodwill		
Long-term deferred expenses	3,446,437.48	4,142,242.19
Deferred income tax assets	13,735,365.16	17,104,853.57
Other non-current assets	3,052,537.50	1,248,273.23
Total of non-current assets	264,209,704.38	263,332,410.06
Total assets	1,655,926,939.85	1,697,533,004.99

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	125,326,400.00	
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		
Derivative financial liabilities		
Notes payable	10,517,009.49	23,251,704.93
Accounts payable	473,690,790.92	589,418,458.93
Accounts received in advance	14,843,333.11	11,187,023.96
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	39,070,453.37	45,671,498.70
Tax payable	3,384,970.78	16,965,068.11
Interest payable	170,592.29	
Dividend payable		
Other accounts payable	56,442,168.31	58,411,663.19
Reinsurance premiums payable		
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	723,445,718.27	744,905,417.82
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables	250,205.83	187,928.74
Specific payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities	1,026,173.00	761,461.43
Other non-current liabilities		
Total non-current liabilities	1,276,378.83	949,390.17
Total liabilities	724,722,097.10	745,854,807.99
Owners' equity:		
Share capital	185,391,680.00	185,391,680.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	296,808,965.79	296,808,965.79
Less: Treasury stock		
Other comprehensive income	7,225,639.61	8,491,902.45

Specific reserves		
Surplus reserves	29,946,218.17	29,946,218.17
Provisions for general risks		
Retained profits	79,037,077.41	90,217,504.90
Total equity attributable to owners of the Company	598,409,580.98	610,856,271.31
Minority interests	332,795,261.77	340,821,925.69
Total owners' equity	931,204,842.75	951,678,197.00
Total liabilities and owners' equity	1,655,926,939.85	1,697,533,004.99

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

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	7,375,082.84	6,668,219.24
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	990,000.00	1,341,076.70
Accounts receivable	11,171,289.00	30,084,632.38
Accounts paid in advance	449,724.00	224,212.39
Interest receivable		
Dividend receivable		
Other accounts receivable	875,121.08	539,684.23
Inventories	12,043,765.15	13,862,241.50
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	553,190.76	404,776.38
Total current assets	33,458,172.83	53,124,842.82
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	922,914,701.56
Investing real estate	34,160,766.05	35,720,961.41
Fixed assets	1,759,189.75	1,985,546.98
Construction in progress		
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	69,749.99	83,249.99
R&D expense		
Goodwill		
Long-term deferred expenses	43,866.37	69,866.41
Deferred income tax assets	1,606,942.52	1,910,906.98
Other non-current assets		
Total of non-current assets	960,595,216.24	962,725,233.33
Total assets	994,053,389.07	1,015,850,076.15

Item	Closing balance	Opening balance
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		
Accounts payable	59,092,653.96	83,598,309.18
Accounts received in advance	2,053,293.49	930,623.95
Payroll payable	1,851,697.45	2,912,637.07
Tax payable	462,224.08	647,392.73
Interest payable		
Dividend payable		
Other accounts payable	293,315,878.21	298,567,356.74
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	356,775,747.19	386,656,319.67
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	0.00	0.00
Total liabilities	356,775,747.19	386,656,319.67
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	29,946,218.17	29,946,218.17
Retained profits	150,449,453.89	142,365,568.49
Total owners' equity	637,277,641.88	629,193,756.48
Total liabilities and owners' equity	994,053,389.07	1,015,850,076.15

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

Item	Reporting period	Same period of last year
I. Total operating revenues	869,683,758.68	798,108,689.27
Including: Sales income	869,683,758.68	798,108,689.27
II. Total operating costs	859,363,439.15	776,558,722.21
Including: Cost of sales	739,507,468.93	662,817,165.10
Taxes and associate charges	5,695,363.61	2,975,879.16
Selling and distribution expenses	30,129,026.59	40,742,161.54
Administrative expenses	74,782,758.93	80,750,640.07
Financial expenses	9,184,381.52	-9,966,312.52
Asset impairment loss	64,439.57	-760,811.14
Add: Gain/(loss) from change in fair value (“-” means loss)	1,881,750.00	5,645,050.00
Gain/(loss) from investment (“-” means loss)	1,724,730.14	-4,434,437.95
Including: share of profits in associates and joint ventures		8,474.00
Foreign exchange gains (“-” means loss)		
Other gains		
III. Business profit (“-” means loss)	13,926,799.67	22,760,579.11
Add: non-operating income	3,353,082.90	4,349,049.40
Including: Gains on disposal of non-current assets	336,752.14	542,527.01
Less: non-operating expense	298,400.08	61,724.97
Including: Losses on disposal of non-current assets	205,501.99	17,353.82
IV. Total profit (“-” means loss)	16,981,482.49	27,047,903.54
Less: Income tax expense	3,416,067.76	2,757,325.93
V. Net profit (“-” means loss)	13,565,414.73	24,290,577.61
Net profit attributable to owners of the Company	11,066,574.11	17,789,801.36
Minority shareholders’ income	2,498,840.62	6,500,776.25
VI. After-tax net amount of other comprehensive incomes	-1,688,350.45	2,056,156.39
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-1,266,262.84	1,542,117.29
(I) Other comprehensive incomes that will not be reclassified into gains and losses	15,614.61	
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement	15,614.61	
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	-1,281,877.45	1,542,117.29
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	-1,281,877.45	1,542,117.29
6. Other		

Item	Reporting period	Same period of last year
After-tax net amount of other comprehensive incomes attributable to minority shareholders	-422,087.61	514,039.10
VII. Total comprehensive incomes	11,877,064.28	26,346,734.00
Attributable to owners of the Company	9,800,311.27	19,331,918.65
Attributable to minority shareholders	2,076,753.01	7,014,815.35
VIII. Earnings per share		
(I) Basic earnings per share	0.06	0.10
(II) Diluted earnings per share	0.06	0.10

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 RMB0, with the corresponding amount for the last period being RMB -2,204,397.97.

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

Item	Reporting period	Same period of last year
I. Total sales	37,935,863.38	64,284,182.16
Less: cost of sales	26,745,263.79	51,411,479.65
Business taxes and surcharges	1,034,131.00	376,508.47
Distribution expenses	4,655,640.49	4,712,679.84
Administrative expenses	6,256,545.30	6,407,301.54
Financial costs	-77,973.23	9,027.92
Impairment loss	-890,712.11	904,000.92
Add: gain/(loss) from change in fair value (“-” means loss)		
Gain/(loss) from investment (“-” means loss)	30,310,250.78	107,582,142.80
Including: income from investment on associates and joint ventures		8,474.00
Other gains		
II. Business profit (“-” means loss)	30,523,218.92	108,045,326.62
Add: non-operating income	111,632.54	173,232.50
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)	30,634,851.46	108,218,559.12
Less: Income tax expense	303,964.46	16,204,107.07
IV. Net profit (“-” means loss)	30,330,887.00	92,014,452.05
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	30,330,887.00	92,014,452.05
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

Item	Reporting period	Same period of last year
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	880,124,770.86	799,779,397.11
Tax refunds received	98,954,676.31	107,484,793.44
Other cash received relating to operating activities	31,713,946.31	34,806,311.83
Subtotal of cash inflows from operating activities	1,010,793,393.48	942,070,502.38
Cash paid for goods and services	774,245,705.02	764,993,901.10
Cash paid to and for employees	133,551,803.87	123,885,869.23
Various taxes paid	24,040,423.11	12,713,941.82
Other cash payment relating to operating activities	136,466,757.44	100,648,796.52
Subtotal of cash outflows from operating activities	1,068,304,689.44	1,002,242,508.67
Net cash flows from operating activities	-57,511,295.96	-60,172,006.29
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	365,334,812.92	214,290,235.67
Cash received from return on investments	236,201.06	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,112,841.63	5,830,678.69
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	42,313,208.55	75,400,000.00
Subtotal of cash inflows from investing activities	409,997,064.16	295,520,914.36
Cash paid to acquire fixed assets, intangible assets and other long-term assets	38,298,093.66	30,738,906.49
Cash paid for investment	503,252,795.01	375,011,646.84
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	377,386,926.35	169,327,000.00
Subtotal of cash outflows from investing activities	918,937,815.02	575,077,553.33
Net cash flows from investing activities	-508,940,750.86	-279,556,638.97
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings	151,183,998.00	65,128,000.00
Cash received from issuance of bonds		
Other cash received relating to financing activities	6,774,375.98	4,519,265.19
Subtotal of cash inflows from financing activities	157,958,373.98	69,647,265.19
Repayment of borrowings	24,730,160.00	
Cash paid for interest expenses and distribution of dividends or profit	32,521,569.11	32,363,500.69
Including: dividends or profit paid by subsidiaries to minority shareholders	15,707,954.97	13,824,332.69
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	57,251,729.11	32,363,500.69

Item	Reporting period	Same period of last year
Net cash flows from financing activities	100,706,644.87	37,283,764.50
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-8,511,122.49	6,554,846.72
V. Net increase in cash and cash equivalents	-474,256,524.44	-295,890,034.04
Add: Opening balance of cash and cash equivalents	738,195,729.53	675,824,861.29
VI. Closing balance of cash and cash equivalents	263,939,205.09	379,934,827.25

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

Item	Reporting period	Same period of last year
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	55,674,286.26	54,541,061.46
Tax refunds received		
Other cash received relating to operating activities	21,418,487.10	21,305,861.45
Subtotal of cash inflows from operating activities	77,092,773.36	75,846,922.91
Cash paid for goods and services	53,556,689.27	69,402,417.98
Cash paid to and for employees	7,189,494.06	7,241,953.89
Various taxes paid	2,292,808.84	2,112,861.45
Other cash payment relating to operating activities	21,465,798.37	147,433,841.45
Subtotal of cash outflows from operating activities	84,504,790.54	226,191,074.77
Net cash flows from operating activities	-7,412,017.18	-150,344,151.86
II. Cash flows from investing activities:		
Cash received from retraction of investments		130,000,000.00
Cash received from return on investments		
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	0.00	130,000,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	25,500.00	13,798.00
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	25,500.00	1,013,798.00
Net cash flows from investing activities	-25,500.00	128,986,202.00
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	30,310,250.78	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	30,310,250.78	41,472,998.07
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	22,247,001.60	18,539,168.00
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	22,247,001.60	18,539,168.00
Net cash flows from financing activities	8,063,249.18	22,933,830.07
IV. Effect of foreign exchange rate changes on cash and cash equivalents	81,131.60	-6,803.16
V. Net increase in cash and cash equivalents	706,863.60	1,569,077.05
Add: Opening balance of cash and cash equivalents	6,668,219.24	7,750,025.58
VI. Closing balance of cash and cash equivalents	7,375,082.84	9,319,102.63

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

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				296,808,965.79		8,491,902.45		29,946,218.17		90,217,504.90	340,821,925.69	951,678,197.00
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				296,808,965.79		8,491,902.45		29,946,218.17		90,217,504.90	340,821,925.69	951,678,197.00
III. Increase/ decrease in the period ("-" means decrease)							-1,266,262.84				-11,180,427.49	-8,026,663.92	-20,473,354.25
(I) Total comprehensive incomes							-1,266,262.84				11,066,574.11	2,076,753.01	11,877,064.28
(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											-22,247,001.60	-10,103,416.93	-32,350,418.53
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-22,247,001.60	-10,103,416.93	-32,350,418.53
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													
IV. Closing balance	185,391,680.00				296,808,965.79		7,225,639.61		29,946,218.17		79,037,077.41	332,795,261.77	931,204,842.75

Legal representative: Pan Zhirong **Person-in-charge of the accounting work: Feng Zhiqing** **Chief of the accounting division: Feng Zhiqing**

(Continued)

Unit: RMB

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				282,916,698.67		3,247,335.35		20,962,521.51		69,510,872.20	358,467,426.11	920,496,533.84
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		3,247,335.35		20,962,521.51		69,510,872.20	358,467,426.11	920,496,533.84
III. Increase/ decrease in the period ("-" means decrease)					13,892,267.12		5,244,567.10		8,983,696.66		20,706,632.70	-17,645,500.42	31,181,663.16
(I) Total comprehensive incomes							5,244,567.10				48,229,497.36	16,469,280.00	69,943,344.46
(II) Capital increased and reduced by owners					13,892,267.12							-20,290,447.73	-6,398,180.61
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					13,892,267.12							-20,290,447.73	-6,398,180.61
(III) Profit distribution									8,983,696.66		-27,522,864.66	-13,824,332.69	-32,363,500.69
1. Appropriations to surplus reserves									8,983,696.66		-8,983,696.66		
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													
IV. Closing balance	185,391,680.00				296,808,965.79		8,491,902.45		29,946,218.17		90,217,504.90	340,821,925.69	951,678,197.00

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

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				29,946,218.17	142,365,568.49	629,193,756.48
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				29,946,218.17	142,365,568.49	629,193,756.48
III. Increase/ decrease in the period ("-" means decrease)										8,083,885.40	8,083,885.40
(I) Total comprehensive incomes										30,330,887.00	30,330,887.00
(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										-22,247,001.60	-22,247,001.60
1. Appropriations to surplus reserves											
2. Appropriations to owners (or shareholders)										-22,247,001.60	-22,247,001.60
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				29,946,218.17	150,449,453.89	637,277,641.88

Legal representative: Pan Zhirong **Person-in-charge of the accounting work: Feng Zhiqing** **Chief of the accounting division: Feng Zhiqing**

(Continued)

Unit: RMB

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				271,490,289.82				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)									8,983,696.66	62,314,101.94	71,297,798.60
(I) Total comprehensive incomes										89,836,966.60	89,836,966.60
(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									8,983,696.66	-27,522,864.66	-18,539,168.00
1. Appropriations to surplus reserves									8,983,696.66	-8,983,696.66	
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				29,946,218.17	142,365,568.49	629,193,756.48

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.
Notes to Financial Statements as of June 30, 2017

(All currency amounts herein are expressed, unless otherwise stated, in RMB.)

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 February 16, 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 June 30, 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 December 28, 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 June 30, 2017, 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 June 30, 2017, 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 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 August 4, 2017.

There were 10 subsidiaries be included in 2017 of the Company with the details in Notes VIII "Equities among other entities". There was no change of consolidated scope during the Reporting Period.

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 February 15, 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 June 30, 2017. 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. 22 "Revenue" for the description. For description of significant accounting judgments and estimates made by management, see Note IV. 26 "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 (RMB) 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 RMB as their functional currency, the overseas subsidiaries decide the HKD, USD, NTD or Indonesian Rupiah as their functional currency in accordance with the business in which currency of the primary economic environment. The Company adopts RMB to prepare its functional statements.

4. Accounting treatments of business combination under common control and under not the common control

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 51 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 IV. 12 "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. 12

Long-term equity investments and Note IV. 9 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. 12. (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. Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture, depending on the rights and obligation of the Company in the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for joint ventures using the equity method, see Note IV. 12. (2), ② for details.

The company, a joint operator, recognises in relation to its interest in a jointoperation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly ;(c) its revenue from the sale of its share of the output arising from thejoint operation ;(d) its share of the revenue from the sale of the output by the jointoperation; and (e) its expenses, including its share of any expenses incurred jointly.

When the Company enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, the Company, prior to disposal of the assets to a third party, recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.When such transactions provide evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, which is in line with provision stipulated by CAS 8 - Assets Impairment, those losses shall be recognised fully by the Company. When there is evidence of a reduction in the net realizablevalue of the assets to be purchased from the joint operation, the Company shall recognise its share of the losses.

7. 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.

8. Foreign exchange

(1) Translation in foreign exchange transactions

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

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

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging 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.

When prepared the consolidated financial statement involving in overseas business, if there was foreign currency monetary program virtually constituting overseas business net investment, the exchange difference caused from interests change should be recorded into other comprehensive income. When an enterprise disposes of an overseas business, it should be converted into the profits and losses of the current period.

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 RMB 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.

9. 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.

(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 though 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 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.

The closing cost from sellable debt instruments investment was confirmed by post-amortization costs, that is initial confirmed amount deducting the paid prinpical, add or minus the accumulative amount of amortization incurred from amortizing the balance between the initially recognized amount and the amount of the maturity date by adopting the actual interest rate method, and deducting the impairment losses that have actually incurred. The closing cost from sellable debt instruments investment was its initial received cost.

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

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

(3) Impairment of financial assets

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

An impairment test shall be made on the financial assets with significant single amounts. If any objective evidence shows that it has been impaired, the impairment-related losses shall be

recognized and shall be recorded into the profits and losses of the current period. With regard to the financial assets with insignificant single amounts, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. The financial assets which have suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

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 norretained 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.

If the Company endorses the financial assets sold by right of recourse and holding financial assets, it needs to confirm that whether almost all risks and remuneration in the ownership of financial assets have been transferred or not. Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset； If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. If the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of the financial asset, then it continuously judges that whether the Company retain the control of the assets, and conducts accounting treatment according to the principles described in former paragraphs.

(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.

③ Financial guarantee contract

For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, they should be initially recognized by fair value. a subsequent measurement shall be made after they are initially recognized according to the higher one between the amount as determined according to the Accounting Standards for Enterprises No. 13 – Contingencies and the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

(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 though 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.

10. 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

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.

The reason: if there is objective evidence indicating that the accountable receivable is individually insignificant, and the credit risk does not conform to other accounts receivable's credit risk, the impairment test should be conducted.

The withdrawal method: the difference between the present value of future cash flow is less than the carrying amount, the impairment test should be conducted and provision is made accordingly.

The Company conducted the impairment test for margin and deposit. If there is no objective evidence indicating mpairmnet, then bad debts provision is not made.

(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.

The Company transfer the accounts receivables to financial institutions by right of no recourse, the difference between the book value that the transaction amount deduct the written off accounts receivables and related taxes should be recorded into current profit or loss

11. 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 planed 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 inventoriesNet 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.

12. 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. 9 “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 in 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.

For the disposal of long-term equity investments in other cases, the difference between the book value of the disposed equity and its actual acquisition price is charged to the current profits and losses.

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 in 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 in 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.

13. 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.

14. 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. 19 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.

15. 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. 19.

16. 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.

17. 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 IV.19.

18. 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.

19. 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 exits. 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.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future

20. 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 mainly include basic old-age insurance, unemployment insuranceand annuities. Post-employment benefits includedefined contribution plans and defined benefit plans. Relevant contribution amount in the defined contribution plan shall be recognised as cost of related assets or profit or loss during the year. The defined benefit plan in the company is old-age insurance. Projected unit credit cost method (“PUC”) was used by independent actuaries engaged by the Company to determine the present value of the defined benefit obligations with unbiased and consistent actuarial assumptions regarding population variables and financial variables. Defined benefit obligation was presented with the present value and the related current service cost was accounted into current profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this company, a provision shall be recognised for the compensation arising from the termination of employment relationship with employees at the time when the Company can not unilaterally withdraw layoff proposal termination benefits provided due to termination of employment, or the company ensures the costs related to the payment for termination benefits related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits can not be fully paid after twelve months of the reporting date,the liability shall be processed in accordance with other long-term employee benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirementshall be recognised in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the company to employees that is in line with defined contribution plans shall adopt the accounting treatment in accordance with defined

contribution plans, otherwise the accounting treatment of defined benefit plans.

21. 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.

22. Revenue

(1) Revenue from sales of goods

Revenue from sales of goods is recognised 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 recognised 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 recognised as cost reimbursement received or to be received, if any, and cost incurred is recognised in profit or loss for the period in which the cost is incurred. No revenue is recognised 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) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses according to the percentage of completion.at the balance sheet date.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: ①total contract revenue can be measured reliably; ②it is probable that the economic benefits associated with the contract will flow to the enterprise; ③the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and, ④both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, but revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and If the cost cannot be recovered, contract costs should be recognised as an expense in the period in which they are incurred and the contract revenue cannot be recognised. When the uncertainty that makes the outcome of the construction unable to be estimated reliably disappears, the revenue and cost are recognised according to the percentage of completion.

An expected loss on the construction contract should be recognised as an expense during the year when the total contract cost is expected to be higher than the total contract revenue.

The incurred cost and accumulated gross profit (loss) and the settled price of the construction contract are disclosed as a net amount in the balance sheet. The excess amount of the incurred cost and accumulated gross profit (loss) over the settled price of the construction contract is disclosed as inventory, while the excess amount of the settled price over the incurred cost and accumulated gross profit (loss) of the construction contract is disclosed as advance from customers.

(4) Royalty Revenue

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

(5) 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.

23. 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 asgrant related to the assets; the others will be defined asgrants related to the income. If the fileshave not clearly defined government grants objects, it will be divided in the following manner compartmentalize the grantsrelated to the

assetsandgrants 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 grantsactually, 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)grantsreceivable of government departments issued a document entitled have been confirmed, or could reasonably are 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.

24. Deferred tax assets and deferred tax liabilities

(1) Income tax for the current period

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

The difference between the book value of some assets and liabilities and their tax basis, and the temporary difference which is not recognized as assets and liabilities but can be recognized by the difference between the book value of tax basis items and their tax basis according to taxation regulation, will be recognized as deferred income tax assets and deferred income tax liabilities by adopting liabilities method of balance sheet.

Related to the initial recognition of goodwill, taxable temporary difference related to the initial recognition of assets and liabilities produced from the transaction that is not business merger also will not influence accounting profit and taxable income(or deductible loss) when incurred, will not be recognized as the related deferred income tax liabilities. In addition, the taxable temporary difference related to subsidiaries, associated company, and joint venture will also be not recognized as the related deferred income tax liabilities if the Company can control the time of temporary difference reverse and the temporary difference may not be reversed in the foreseeable future. Except the aboved exceptional examples, the Company recognizes deferred income tax liabilities from all other taxable temporary difference.

Deductible temporary difference related to the initial recognition of assets and liabilities produced from the transaction that is not business merger also will not influence accounting profit and taxable income(or deductible loss) when incurred, will not be recognized as the related deferred income tax assets. In addition, the deductible temporary difference related to subsidiaries, associated company, and joint venture will also be not recognized as the related deferred income tax assets if the temporary difference may not be reversed in the foreseeable future or taxable income of deductible temporary difference used for deduction may not be gained in the future. Except the aboved exceptional examples, the Company recognizes deferred income tax assets from other deductible temporary difference with the limit that the Company probably gain taxable income used for deducting deductible temporary difference.

The deductible loss tax deduction that can be carried forward to subsequent years, will be recognized as deferred income tax assets with the limit that the Company probably gain future taxable income used for deducting deductible loss tax deduction.

Deferred income tax assets and deferred income tax liabilities will be measured on the balance sheet date by applicable tax rate during the period of receiving related assets and paying related liabilities according to taxation regulation.

The Company rechecks the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's 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.

25 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 Leasorunder operating Lease

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

(3) Financial lease to which the Company is the leasee

At the commencement of a financial lease to which the Company is the Leasee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognised as the cost of the leased asset; the minimum lease payment is recognised as a long-term payable; and the excess of the long-term payable over the amount recognised as the cost of the leased asset is recognised as unrecognised lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognised as part of the cost of the leased asset. The residual amount after deducting the unrecognised lease expenditure from the long-term payable is divided into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease expenditure is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease expense in profit or loss for the relevant period. Contingency lease rental is recognised in profit or loss when it is incurred.

(4) Financial lease to which the Company is the leasor

At the commencement of a financial lease to which the Company is the leasor, the sum of the minimum lease rental receivable and the initial expenses incurred for activities directly attributable to the lease is recognised as the initial amount of the respective financial lease rental receivable; unguaranteed residual value is recorded, if any; the excess of the present value of the sum of the minimum lease rental receivable, the initial expenses incurred for activities directly attributable to the lease and the unguaranteed residual value over the sum itself is recognised as unrecognised lease income. The residual amount after deducting the unrecognised lease income from the financial lease rental receivable is divided into non-current receivable and non-current receivable due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease income is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease income in profit or loss for the relevant period. Contingency lease rental income is recognised in profit or loss when it is received or becomes receivable.

26. 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) Revenue recognition of construction in progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue according to the percentage of completion at the balance sheet date. The percentage of completion is recognisedbased on the method in Notes IV.22 and is calculated accumulatively in the years when the construction contract is executed.

There would be a great amount of judgement in thedetermination of the percentage of completion, the incurred construction cost, the expected total construction revenue and total construction cost, and the recoverability of the contract. The management of the project make the judgement based on previous experience. The change of expected total contract revenue and total cost, and the change of the estimated result of the contract may have huge impact on the revenue and cost of the current period or the period afterwards

(2) Classification of lease

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

(3) Allowance for bad debts

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.

(4) 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.

(5) 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.

(6) Held-to-maturity investment

The non-derivative financial assets which meet the conditions of fixed or determinable repayment amount and fixed maturity date and the company has a clear intention and ability to hold to maturity classified as held-to-maturity investments. A large amount of judgmentis required to carry out this classification. In the course of the judgment, the Company will evaluate the willingness and ability to hold such investment to maturity. Unless the specific situation (For example, an investment that is insignificant in the amount close to the due date), if the Company fails to hold the investment until maturity, all such investments shall be reclassified to the available-for-sale financial assets, And the financial assets shall not be divided into held-to-maturity investments within the two full fiscal years of the current fiscal year and thereafter. In the event of such a situation, it may have a material impact on the value of the underlying financial assets presented in the financial statements and may affect the Company's financial instrument risk management strategy.

(7) Impairment of held-to maturity investment

Whether the impairment of held-to-maturity investments to a large extent depends on management's judgment. The objective evidence of impairment includes the issuer's serious financial difficulties that prevent the financial asset from continuing to be traded in an active market and is unable to perform the terms of the contract (for example, to pay interest or default). In the course of the judgment, the Company shall assess the impact of the objective evidence of impairment on the expected future cash flow of the investment.

(8) Impairment of available-for-sale assets

Whether the impairment of available-for-sale financial assets to a large extent dependson the judgment and assumptions of the management, in order to determine whether it is necessary to recognise its impairment losses in the income statement. In the course of judging and making assumptions, the Company shall assess the extent and duration of the fair value of the investment and the financial position and short-term business outlook of the investee, including the industry status, technological change, credit rating, The default rate and the risk of opponents.

(9) 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.

(10) 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.

(11) 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.

(12) Income tax

There are some transactions where ultimate tax treatments and calculations have uncertainties in the Company’s everyday operation. Whether there are 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 theincome tax and deferred income tax of the current period during the final determination.

(13) 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 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.

(14) Fair value measurement

Some of the Company's assets and liabilities are measured at fair value in the financial statements. In estimating the fair value of an asset or liability, the Company adopts available observable market data. If you can not get the first level of input value, the company will hire third-party qualified appraisers to perform the valuation.

V. Taxation

1. Taxes and surcharges applicable to the Company

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance afterdeduct the deductible input tax to pay the VAT	5、6、11、13、17

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	According to the revenues from sales to calculate the output tax, and use the balance after deduct the deductible input tax to pay the VAT	0、5、6、11、13、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	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%.

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

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance after deduct the deductible input tax to pay the VAT	5、11、13、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	2

	for the reporting period, and exempt and deductible tax	
Corporate income tax	Taxable profits	25

(3) Tsannkuen Edge Intelligence Co., Ltd. (hereafter, TKEI)

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance after deduct the deductible input tax to pay the VAT	5
Corporate income tax	Taxable profits	17

(4) Pt.Star Comgistic Indonesia

Taxes and surcharges	Tax base	Tax rate (%)
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance after deduct the deductible input tax to pay the VAT	10
Corporate income tax	Taxable profits	25

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

1. Monetary funds

Item	2017.06.30	2016.12.31
Cash on hand	890,072.87	703,668.78
Bank deposits	609,590,639.06	748,793,446.55
Total	610,480,711.93	749,497,115.33
Of which: total amount deposited in overseas	15,048,762.42	19,034,720.76

Notes: the balance of fixed time deposit at financial institution for interest in the bank deposits at period-end was RMB346,541,506.84.

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

Item	2017.06.30	2016.12.31
Trading financial assets	1,881,750.00	0.00
Including: Derivative financial assets	1,881,750.00	0.00
Total	1,881,750.00	0.00

(2) Explanation

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

3. Notes receivable

(1) Disclosure by classification

Item	2017.06.30	2016.12.31
Bank acceptance bill	990,000.00	1,341,076.70
Total	990,000.00	1,341,076.70

(2) There is no notes receivable whice had pledged by the Company

(3) There is no notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

(4) There is no notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement

4. Accounts receivable

(1) Disclosure by classification

Item	2017.06.30				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	252,843,881.35	100.00	10,264,356.72	4.06	242,579,524.63
Including: Portfolio by age	250,427,706.55	99.04	10,264,356.72	4.10	240,163,349.83
Portfolio by related parties	2,416,174.80	0.96	0.00	0.00	2,416,174.80
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	252,843,881.35	100.00	10,264,356.72	4.06	242,579,524.63

Item	2016.12.31				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	285,221,438.01	100.00	12,134,821.63	4.25	273,086,616.38
Including: Portfolio by age	282,541,651.92	99.06	12,134,821.63	4.29	270,406,830.29
Portfolio by related parties	2,679,786.09	0.94	0.00	0.00	2,679,786.09
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	285,221,438.01	100.00	12,134,821.63	4.25	273,086,616.38

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

Aging	2017.06.30		
	Amount	Bad debt provision	Proportion (%)
Within 1 year	241, 927, 778. 05	1, 764, 428. 22	0. 73
Including: 1-90 days	227, 669, 455. 35	0. 00	0. 00
91-180 days	13, 003, 560. 80	1, 300, 356. 08	10. 00
181-270 days	816, 544. 05	244, 963. 22	30. 00
271-365 days	438, 217. 85	219, 108. 92	50. 00
1-2years	8, 359, 638. 64	8, 359, 638. 64	100. 00
2-3years	140, 289. 86	140, 289. 86	100. 00
Total	250, 427, 706. 55	10, 264, 356. 72	4. 10

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

Item	2017.06.30		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	2,416,174.80	0.00	0.00
Total	2,416,174.80	0.00	0.00

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

The amount of allowance for bad debts recognised during the Reporting Period is RMB14,447.09; the amount of recovered or reversed allowance for bad debts during the Reporting Period is of RMB1,494,519.39.

(3) Accounts receivable written off during the Reporting Period

Item	Amount
Sporadic accounts receivable written off	375,945.52

(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 RMB144,581,493.74, accounting for 57.19% of the total accounts receivable as at the end of the Reporting Period, the total corresponding allowance for bad debts is RMB413,034.06.

5. Advances to suppliers

(1) Disclosure by age

Item	2017.06.30		2016.12.31	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	24,784,622.14	100.00	6,964,904.97	100.00
Total	24,784,622.14	100.00	6,964,904.97	100.00

(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 RMB23,582,222.49, accounting for 95.14% of the total advance to suppliers.

6. Interest receivable

(1) Disclosure by classification

Item	2017.06.30	2016.12.31
Fixed deposit receipt	1,038,777.61	5,519.56
Total	1,038,777.61	5,519.56

7. Other receivable

(1) Disclosure by classification

Item	2017.06.30				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other accounts receivable portfolio subject to impairment by credit risk:	38,254,366.21	97.24	1,652,453.93	4.32	36,601,912.28
Including: Portfolio by age	38,010,355.12	96.62	1,652,453.93	4.35	36,357,901.19
Portfolio by related parties	244,011.09	0.62	0.00	0.00	244,011.09
Other accounts receivable of individually insignificance subject to individually assessment for impairment	1,087,067.04	2.76	0.00	0.00	1,087,067.04
Total	39,341,433.25	100.00	1,652,453.93	4.20	37,688,979.32

Item	2016.12.31				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other accounts receivable portfolio subject to impairment by credit risk:	40,404,849.01	96.02	1,698,478.04	4.20	38,706,370.97
Including: Portfolio by age	40,156,836.65	95.43	1,698,478.04	4.23	38,458,358.61
Portfolio by related parties	248,012.36	0.59	0.00	0.00	248,012.36
Other accounts receivable of individually insignificance subject to individually assessment for impairment	1,675,385.11	3.98	0.00	0.00	1,675,385.11
Total	42,080,234.12	100.00	1,698,478.04	4.04	40,381,756.08

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

Aging	2017.06.30		
	Other accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	36,600,680.76	242,779.57	0.66
Including: 1-90 days	35,207,976.15	0.00	0.00
91-180 days	1,026,997.38	102,698.77	10.00

181-270 days	213,864.10	64,159.23	30.00
271-365 days	151,843.13	75,921.57	50.00
1-2years	1,404,674.36	1,404,674.36	100.00
Over 3 years	5,000.00	5,000.00	100.00
Total	38,010,355.12	1,652,453.93	4.35

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

Items	Book balance	Withdrawal proportion (%)	Bad debt provision	Withdrawal reason
China Export & Credit Insurance Corporation, Fujian Branch	648,450.00			Guaranteed deposits, absence of impairment
onghai People's Court	200,000.00			Guaranteed deposits, absence of impairment
Alipay (China) Network Technology Co., Ltd.	103,000.00			Guaranteed deposits, absence of impairment
Shunhe Trading Co., Ltd.	35,617.04			Guaranteed deposits, absence of impairment
Niuhai E-commerce (Shanghai) Co., Ltd.	30,000.00			Guaranteed deposits, absence of impairment
Jiangsu Suning E-Commerce Co., Ltd.	30,000.00			Guaranteed deposits, absence of impairment
Beijing Dangdangkewen E-Commerce Co., Ltd.	20,000.00			Guaranteed deposits, absence of impairment
Shanghai Feiniujida E-commerce Co., Ltd.	10,000.00			Guaranteed deposits, absence of impairment
Gome Online E-Commerce Co., Ltd.	10,000.00			Guaranteed deposits, absence of impairment
Total	1,087,067.04			

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

The amount of allowance for bad debts recognised during the Reporting Period is RMB8,948.70; the amount of recovered or reversed allowance for bad debts during the Reporting Period is of RMB54,972.81.

(3) Other accounts receivable written off during the Reporting Period

There was no actual write-off other accounts receivable.

(4)Disclosure by account nature

Nature	2017.06.30	2016.12.31
Non-related party	39,097,422.16	41,832,221.76
Related	244,011.09	248,012.36
Total	39,341,433.25	42,080,234.12

(5) Details of top five other receivables

Items	Nature of OR	Closing balance	Aging	% of total	Closing balance of bad debt provision
No.1	Export tax refunds	18,000,000.00	Within 1 year	45.75	
No.2	Electricity fees	4,399,636.31	Within 1 year	11.18	
No. 3	Rental & water & electricity fees	1,761,289.95	Within 1 year	4.48	
No. 4	Rental & water & electricity fees	1,701,287.13	Within 1 year	4.32	
No. 5	Rental & water & electricity fees	1,145,124.46	Over 1 year	2.91	1,145,124.46
		27,007,337.85		68.64	1,145,124.46

8. Inventory

(1) Disclosure by classification

Item	2017.06.30			2016.12.31		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Raw materials	77,901,293.89	18,400,947.63	59,500,346.26	91,666,560.32	28,867,144.56	62,799,415.76
Goods in process	9,215,822.53	0.00	9,215,822.53	15,235,243.63	0.00	15,235,243.63
Self-manufactured semi-finished goods	19,971,102.69	1,572,057.26	18,399,045.43	14,871,592.53	1,572,057.26	13,299,535.27
Finished goods	114,556,816.85	16,771,287.15	97,785,529.70	141,540,287.35	16,689,572.67	124,850,714.68
Low-value consumables	2,671,053.19	0.00	2,671,053.19	5,214,202.94	0.00	5,214,202.94
Materials in transit	3,212,753.50	0.00	3,212,753.50	2,170,009.62	0.00	2,170,009.62
Total	227,528,842.65	36,744,292.04	190,784,550.61	270,697,896.39	47,128,774.49	223,569,121.90

(2) Impairment allowance for inventories

Item	2016.12.31	Increased amount		Decrease		2017.06.30
		Withdrawal	Others	Reverse or write-off	Others	
Raw materials	28,867,144.56	1,423,925.33	0.00	11,890,122.26	0.00	18,400,947.63
Self-manufactured semi-finished goods	1,572,057.26	0.00	0.00	0.00	0.00	1,572,057.26
Finished goods	16,689,572.67	181,057.74	0.00	99,343.26	0.00	16,771,287.15
Total	47,128,774.49	1,604,983.07	0.00	11,989,465.52	0.00	36,744,292.04

(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	2017.06.30	2016.12.31
Input tax to be deducted	11,488,319.23	8,708,135.99
Financial products	270,000,000.00	130,646,348.02
Total	281,488,319.23	139,354,484.01

10. Available-for-sale financial assets

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

Item	2017.06.30			2016.12.31		
	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	40,000.00	0.00	40,000.00	40,000.00	0.00	40,000.00
Total	40,000.00	0.00	40,000.00	40,000.00	0.00	40,000.00

(2) Available-for-sale financial assets measured at cost at the period-end

Investee	Book balance				Depreciation reserves				Shareholding proportion among the investees(%)	Cash bonus of the Reporting Period
	2016.12.31	Increase	Decrease	2017.06.30	2016.12.31	Increase	Decrease	2017.06.30		
Xiamen Association of Enterprises with Foreign Investment	40,000.00			40,000.00					1.48	
Total	40,000.00			40,000.00					1.48	

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
3. Decreased amount of the period	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	105,016,148.68	13,033,549.71	0.00	118,049,698.39
2. Increased amount of the period	2,989,875.78	311,055.90	0.00	3,300,931.68
(1) Withdrawal or amortization	1,456,707.81	311,055.90	0.00	1,767,763.71
(2) Transferred from fixed assets	1,533,167.97	0.00	0.00	1,533,167.97
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	107,431,638.40	13,344,605.61	0.00	120,776,244.01
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

Item	Houses and buildings	Land use right	Construction in progress	Total
4. Closing balance	0.00	0.00	0.00	0.00
IV. Book value				
1. Closing book value	23,515,602.99	15,915,971.90	0.00	39,431,574.89
2. Opening book value	25,931,092.71	16,227,027.80	0.00	42,158,120.51

(2) Investment property with pending ownership registration

Item	Book value	Reason for pending
Lvyuan three country villa	1,656,969.66	Notes

Notes: Lvyuan three country villa is a limited property house purchased by the Company's subsidiary TKS in 1999 from Shanghai Lvsheng Real Estate Development Co., Ltd. without expropriating and transferring the land. In January of 2006, the property was certified to belong to TKS through the joint statement made by Shanghai Lvsheng Real Estate Development Co., Ltd. and residents committee of Lvyuan community of Huangdu Town in Jiading District.

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	93, 887, 488. 58	162, 550, 581. 94	1, 120, 150, 534. 38	16, 572, 864. 54	68, 159, 024. 27	1, 461, 320, 493. 71
2. Increased amount of the period	-818, 017. 63	609, 420. 67	17, 894, 470. 30	2, 318, 418. 51	94, 944. 84	20, 099, 236. 69
(1) Purchase	0. 00	324, 902. 53	14, 998, 691. 95	2, 287, 222. 90	238, 507. 11	17, 849, 324. 49
(2)Transfered from project under construction	0. 00	981, 600. 00	3, 299, 419. 24	50, 000. 00	0. 00	4, 331, 019. 24
(3)Transfer from investment property	0. 00	0. 00	0. 00	0. 00	0. 00	0. 00
(4) Impact of changes in exchange rates	-818, 017. 63	-697, 081. 86	-403, 640. 89	-18, 804. 39	-143, 562. 27	-2, 081, 107. 04
(5) Other	0. 00	0. 00	0. 00	0. 00	0. 00	0. 00
3.Decreased amount of the period	0. 00	10, 743, 991. 27	33, 189, 532. 30	721, 666. 39	1, 371, 246. 15	46, 026, 436. 11
(1) Disposal or Scrap	0. 00	10, 743, 991. 27	33, 189, 532. 30	721, 666. 39	1, 371, 246. 15	46, 026, 436. 11
(2)Transferred from investment property	0. 00	0. 00	0. 00	0. 00	0. 00	0. 00
4. Closing balance	93, 069, 470. 95	152, 416, 011. 34	1, 104, 855, 472. 38	18, 169, 616. 66	66, 882, 722. 96	1, 435, 393, 294. 29
II.Accumulative depreciation						
1.Opening balance	45, 297, 112. 71	102, 936, 654. 31	1, 017, 384, 276. 21	15, 606, 000. 14	61, 616, 747. 83	1, 242, 840, 791. 20
2. Increased amount of the period	2, 562, 836. 21	2, 757, 703. 68	12, 347, 529. 89	211, 567. 89	1, 446, 461. 62	19, 326, 099. 29
(1) Withdrawal	2, 151, 862. 77	3, 002, 089. 10	12, 600, 877. 15	222, 333. 46	1, 561, 918. 05	19, 539, 080. 53
(2) Transfered from investment property	574, 386. 06	0. 00	0. 00	0. 00	0. 00	574, 386. 06
(3) Impact of changes in exchange rates	-163, 412. 62	-244, 385. 42	-253, 347. 26	-10, 765. 57	-115, 456. 43	-787, 367. 30
3.Decreased amount of the period	1, 533, 167. 97	8, 045, 698. 59	31, 060, 381. 66	656, 730. 17	1, 276, 974. 32	42, 572, 952. 71
(1) Disposal or Scrap	0. 00	8, 045, 698. 59	31, 060, 381. 66	656, 730. 17	1, 276, 974. 32	41, 039, 784. 74
(2) Transfer from investment property	1, 533, 167. 97	0. 00	0. 00	0. 00	0. 00	1, 533, 167. 97
4. Closing balance	46, 326, 780. 95	97, 648, 659. 40	998, 671, 424. 44	15, 160, 837. 86	61, 786, 235. 13	1, 219, 593, 937. 78

Item	Houses and buildings	Machinery equipment	Electronic device, modules and others	Transportation equipment	Improvement expense of leased fixed assets	Total
III.Depreciation reserves						
1.Opening balance	0.00	22,351,922.28	21,410,291.72	5,594.19	182,883.96	43,950,692.15
2. Increased amount of the period	0.00	-38,206.90	-6,315.84	-122.79	0.00	-44,645.53
(1) Withdrawal	0.00	0.00	0.00	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	-38,206.90	-6,315.84	-122.79	0.00	-44,645.53
3.Decreased amount of the period	0.00	2,577,072.01	1,094,216.31	142.18	79,471.24	3,750,901.74
(1) Disposal or Scrap	0.00	2,577,072.01	1,094,216.31	142.18	79,471.24	3,750,901.74
4. Closing balance	0.00	19,736,643.37	20,309,759.57	5,329.22	103,412.72	40,155,144.88
IV. Book value						
1. Closing book value	46,742,690.00	35,030,708.57	85,874,288.37	3,003,449.58	4,993,075.11	175,644,211.63
2. Opening book value	48,590,375.87	37,262,005.35	81,355,966.45	961,270.21	6,359,392.48	174,529,010.36

(2) Fixed assets with pending ownership registration

Item	Book value	Reason for pending
Lvyuan three country villa	589,019.02	Notes
Jingying garden	181,073.90	Under processing

Notes: Lvyuan three country villa is a limited property house purchased by the Company's subsidiary TKS in 1999 from Shanghai Lvsheng Real Estate Development Co., Ltd. without expropriating and transferring the land. In January of 2006, the property was certified to belong to TKS through the joint statement made by Shanghai Lvsheng Real Estate Development Co., Ltd. and residents committee of Lvyuan community of Huangdu Town in Jiading District.

13. Construction in progress

Item	2017.06.30			2016.12.31		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Sporadic project	495,974.59	0.00	495,974.59	269,633.08	0.00	269,633.08
Total	495,974.59	0.00	495,974.59	269,633.08	0.00	269,633.08

14. Intangible assets

Item	Land use right	Software	Total
I. Original book value			
1.Opening balance	18,402,842.68	23,523,906.41	41,926,749.09
2. Increased amount of the period	192,552.72	5,923,067.49	6,115,620.21
(1) Purchase	578,709.67	5,902,000.00	6,480,709.67
(2) Impact of changes in exchange rates	-386,156.95	21,067.49	-365,089.46
3.Decreased amount of the period	0.00	9,191,967.69	9,191,967.69
(1) Disposal	0.00	9,191,967.69	9,191,967.69
(2) Impact of changes in exchange rates	0.00	0.00	0.00
4.Closing balance	18,595,395.40	20,255,006.21	38,850,401.61
II. Accumulated amortization			
1.Opening balance	2,548,872.23	15,537,599.74	18,086,471.97

Item	Land use right	Software	Total
2. Increased amount of the period	235,616.25	1,356,677.95	1,592,294.20
(1) Withdrawal	295,133.07	1,346,167.67	1,641,300.74
(2) Impact of changes in exchange rates	-59,516.82	10,510.28	-49,006.54
3.Decreased amount of the period	0.00	9,191,967.69	9,191,967.69
(1) Disposal	0.00	9,191,967.69	9,191,967.69
(2) Impact of changes in exchange rates	0.00	0.00	0.00
4.Closing balance	2,784,488.48	7,702,310.00	10,486,798.48
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	15,810,906.92	12,552,696.21	28,363,603.13
2. Opening book value	15,853,970.45	7,986,306.67	23,840,277.12

15. Long-term deferred charge

Item	2016.12.31	Increased amount	Amortization amount	Decrease	2017.06.30
Telecommunications engineering	69,866.41	0.00	26,000.04	0.00	43,866.37
Houses and buildings renovation expenses	4,072,375.78	0.00	669,804.67	0.00	3,402,571.11
Total	4,142,242.19	0.00	695,804.71	0.00	3,446,437.48

16. Deferred income tax assets/deferred income tax liabilities

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

Item	2017.06.30		2016.12.31	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	75,723,996.75	11,682,236.37	90,927,159.61	14,054,185.03
Accrued expenses	10,322,333.77	1,867,490.22	16,244,337.85	2,785,902.38
Transaction financial liabilities	0.00	0.00		
Payroll liability	538,310.35	91,512.76	521,002.29	88,570.39
Depreciation of fixed assets	15,156.88	2,576.67	14,669.59	2,493.83
Unrealized profits from intragroup transactions	488,262.07	91,549.14	694,807.76	173,701.94
Undistributed deficit	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total	87,088,059.82	13,735,365.16	108,401,977.10	17,104,853.57

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

Item	2017.06.30		2016.12.31	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	2,953,648.52	738,412.13	3,024,559.40	756,139.85
Trading financial assets	1,881,750.00	282,262.50	0.00	0.00
Other	32,343.35	5,498.37	31,303.41	5,321.58
Total	4,867,741.87	1,026,173.00	3,055,862.81	761,461.43

(3) List of unrecognized deferred income tax assets

Item	2017.06.30	2016.12.31
Impairment provision of the fixed assets	9,648,297.45	10,161,743.82
Bad debt provision	1,227,923.67	1,580,473.40
Accrued expenses	14,763,561.91	21,476,401.95
Impairment of inventories	2,216,029.70	2,243,389.48
Payroll liability	1,344,224.86	1,946,095.13
Undistributed deficit	101,374,634.02	98,961,110.41
Total	130,574,671.62	136,369,214.19

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

Year	2017.06.30	2016.12.31
Year 2017	12,981,405.81	15,169,401.17
Year 2018	21,156,026.72	15,995,805.21
Year 2019	8,344,201.75	12,504,247.51
Year 2020	11,293,904.22	14,123,000.61
Year 2021	84,304,491.63	32,619,175.26
Year 2022	7,093,216.05	0.00
Year 2023	0.00	0.00
Year 2024	0.00	0.00
Year 2025	3,770,671.54	0.00
Year 2026	9,069,767.26	0.00
Year 2027	7,771,261.60	0.00
Total	165,784,946.58	90,411,629.76

17. Other non-current assets

Item	2017.06.30	2016.12.31
Prepaid mold fee	1,033,480.93	735,106.87
Prepayment for equipment	2,019,056.57	513,166.36
Total	3,052,537.50	1,248,273.23

18. Short-term borrowings

(1) Disclosure by classification

Item	2017.06.30	2016.12.31
Loan for export invoice financing	125,326,400.00	0.00
Total	125,326,400.00	0.00

19. Notes payable

Item	2017.06.30	2016.12.31
Bank acceptance bill	0.00	6,500,000.00
Trade acceptance	10,517,009.49	16,751,704.93
Total	10,517,009.49	23,251,704.93

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

20. Accounts payable

(1) List of accounts payable

Item	2017.06.30	2016.12.31
Within 1 year	470,126,093.51	584,203,266.68
Over 1 years	3,564,697.41	5,215,192.25
Total	473,690,790.92	589,418,458.93

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

Item	2017.06.30	Unpaid/ Un-carry-over reason	Repaid or not after balance sheet date
Ningbo Chaochao Electrical Equipment Co., Ltd.	500,237.01	Quality disputes	No
Ningbo Jiesiluo Electrical Equipment Co., Ltd.	979,964.67	Quality disputes	No
Total	1,480,201.68		

21. Advance from customers

(1) List of advance from customers

Item	2017.06.30	2016.12.31
Within 1 year	12,468,575.93	6,763,325.48
Over 1 years	2,374,757.18	4,423,698.48
Total	14,843,333.11	11,187,023.96

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

Item	Amount	Unpaid/ Un-carry-over reason
Whirlpool EMEAS.p.A.	468,917.45	Receive in advance
BRITANIA	401,214.79	Receive in advance
Boost Vitality Asia Pte. Ltd.	272,563.32	Receive in advance

Item	Amount	Unpaid/ Un-carry-over reason
ZO JIRUSHI	156,472.83	Receive in advance
Philip (China) Investment Co., Ltd.	138,171.29	Receive in advance
Total	1,437,339.68	

22. Employee benefits payable

(1) List of employee benefits payable

Item	2016.12.31	Increase	Decrease	2017.06.30
I. Short-term salary	45,457,345.85	120,358,630.78	127,418,051.40	38,397,925.23
II. Post-employment benefit-defined contribution plans	161,027.85	5,651,046.50	5,157,364.21	654,710.14
III. Termination benefits	53,125.00	1,171,146.67	1,206,453.67	17,818.00
Total	45,671,498.70	127,180,823.95	133,781,869.28	39,070,453.37

(2) List of Short-term employee benefits

Item	2016.12.31	Increase	Decrease	2017.06.30
1. Salary, bonus, allowance, subsidy	33,840,441.21	107,270,197.78	116,215,870.34	24,894,768.65
2. Employee welfare	1,890.16	6,214,574.88	4,348,233.51	1,868,231.53
3. Social insurance	524,878.81	4,408,652.37	4,110,514.36	823,016.82
Including: Medical insurance	479,652.00	3,309,652.92	3,079,916.22	709,388.70
Employment injury insurance	407.65	875,735.94	809,165.93	66,977.66
Maternity insurance	44,819.16	223,263.51	221,432.21	46,650.46
4. Housing fund	9,090,565.22	2,563,412.76	2,576,753.99	9,077,223.99
5. Labor union budget and employee education budget	0.00	174,209.18	174,209.18	0.00
6.Short-term absence with payment	1,999,570.45	-272,416.19	-7,529.98	1,734,684.24
Total	45,457,345.85	120,358,630.78	127,418,051.40	38,397,925.23

(3) List of defined contribution plan

Item	2016.12.31	Increase	Decrease	2017.06.30
1. Basic pension benefits	160,408.63	5,450,834.00	4,956,822.69	654,419.94
2. Unemployment insurance	619.22	200,212.50	200,541.52	290.20
Total	161,027.85	5,651,046.50	5,157,364.21	654,710.14

23. Taxes payable

Category of taxes	2017.06.30	2016.12.31
Business tax	0.00	784,938.20
Corporate income tax	234.87	12,621,020.07
VAT	818,869.41	0.00
Personal income tax	404,127.26	463,263.27
Education Surcharge	644,824.83	1,008,596.50
Urban maintenance and construction tax	628,929.62	966,427.13
Real estare tax	801,166.71	0.00
Stamp duty	86,818.08	1,120,822.94
Total	3,384,970.78	16,965,068.11

24. Interest payable

Item	2017.06.30	2016.12.31
Interests on short-term borrowings	170,592.29	0.00
Total	170,592.29	0.00

25. Other accounts payable

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

Item	2017.06.30	2016.12.31
Within 1 year	49,567,165.77	50,629,928.01
Over 1 years	6,875,002.54	7,781,735.18
Total	56,442,168.31	58,411,663.19

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

Item	2017.06.30	Unpaid/ Un-carry-over reason
Cash pledge	5,765,388.00	Repaid at the termination of contract
Payment of mold fee	670,841.53	Payment on behalf, unpaid
Total	6,436,229.53	

26. Long-term payroll payable

Item	2017.06.30	2016.12.31
I. Post-employment benefit-net liability of defined benefit plans	250,205.83	187,928.74
II. Termination benefits	0.00	0.00
III. Other long-term benefits	0.00	0.00
Total	250,205.83	187,928.74

27. Share capital

Item	Opening balance	Issuing new shares	Share donation	Increase/decrease Capitalization of public reserves	Other	Subtotal	Closing balance
Total shares	185,391,680.00						185,391,680.00

28. Capital reserves

Item	2016.12.31	Increase	Decrease	2017.06.30
Share premium	210,045,659.80	0.00	0.00	210,045,659.80
Other capital reserves	86,763,305.99	0.00	0.00	86,763,305.99
Total	296,808,965.79	0.00	0.00	296,808,965.79

29. Other comprehensive income

		Reporting Period					
Item	2016.12.31	Amount before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to minority shareholders after tax	2017.06.30
I. Other comprehensive income that will not be reclassified into profit/loss							
Including: changes in net liabilities or assets with a defined benefit plan upon remeasurement	15,614.61	0.00					15,614.61
Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method							
II. Other comprehensive income to be subsequently reclassified into profit/loss							
Including: shares of other comprehensive income of investees that will be reclassified into profit/loss under the equity method							
Balance from the translation of foreign currency financial statements	8,476,287.84	-1,688,350.45			-1,266,262.84	-422,087.61	7,210,025.00
Total	8,491,902.45	-1,688,350.45	0.00	0.00	-1,266,262.84	-422,087.61	7,225,639.61

30. Surplus reserves

Item	2016.12.31	Increase	Decrease	2017.06.30
Statutory surplus reserves	29,946,218.17	0.00	0.00	29,946,218.17
Total	29,946,218.17	0.00	0.00	29,946,218.17

31. Retained earnings

Item	2017.06.30	2016.12.31
Opening balance of retained profits before adjustments	90,217,504.90	69,510,872.20
Total opening balance of retained profits before adjustments (Increase+，decrease-)		
Opening balance of retained profits after adjustments	90,217,504.90	69,510,872.20
Add: Net profit attributable to owners of the Company	11,066,574.11	48,229,497.36
Less: Withdrawal of statutory surplus reserves	0.00	8,983,696.66
Withdrawal of discretionary surplus reserves	0.00	0.00
Withdrawal of generic risk reserve	0.00	0.00
Dividend of common stock payable	22,247,001.60	18,539,168.00
Dividend of common stock transfer into share capital	0.00	0.00
Closing retained profits	79,037,077.41	90,217,504.90

32. Revenue and Cost of Sales

Item	Reporting Period	Same period of last year
Revenue from main operations	840,312,489.24	770,647,435.81
Revenue from other operations	29,371,269.44	27,461,253.46
Total	869,683,758.68	798,108,689.27
Costs of main operations	723,287,830.92	653,194,377.94
Cost of other operations	16,219,638.01	9,622,787.16
Total	739,507,468.93	662,817,165.10

33. Business tax and surcharges

Item	Reporting Period	Same period of last year
Business tax	0.00	968,527.44
Education Surcharge	1,642,018.73	1,000,327.29
Urban maintenance and construction tax	1,657,297.65	1,006,737.00
Real estate tax	1,475,222.72	0.00
Land use tax	348,464.92	0.00
Stamp duty	572,220.24	0.00
Other	139.35	287.43
Total	5,695,363.61	2,975,879.16

34. Sales expenses

Item	Reporting Period	Same period of last year
Export fees	15,649,265.39	14,112,135.80
Employee remunerations	9,644,113.99	10,567,113.82
Claims for sales promotional expenses	992,673.57	10,541,659.04
Sales commission and after sales service fees	1,189,343.37	1,942,157.66
Assets lease expenses	192,646.13	465,396.72
Business travel charges	1,059,897.57	1,589,854.17
Office expenses	329,126.35	363,891.34
Transport fees	658,337.56	740,092.37
Others	413,622.66	419,860.62
Total	30,129,026.59	40,742,161.54

35. Administration expenses

Item	Reporting Period	Same period of last year
R&D expenses	36,181,239.58	36,526,821.94
Employee remuneration	16,404,001.41	15,003,011.98
Depreciation and amortization	5,736,884.90	6,319,391.07
Rental charges	8,178,777.89	9,747,380.98
Insurance expenses	1,149,100.21	574,767.94
Office expenses	1,093,362.53	1,456,109.90
Travel expenses	1,540,597.10	1,874,034.60
Consultant fees	910,423.05	1,657,306.91
Maintenance expenses	2,378,906.44	2,222,064.47
Taxes and surcharges	0.00	2,069,710.13
Others	1,209,465.82	3,300,040.15
Total	74,782,758.93	80,750,640.07

36. Financial costs

Item	Reporting Period	Same period of last year
Interest expenses	410,091.63	142,611.32
Less: interest income	3,529,133.78	3,684,238.09
Exchange gains and losses	11,511,175.66	-7,477,904.70
Bank charges	792,248.01	1,053,218.95
Total	9,184,381.52	-9,966,312.52

37. Impairment loss on assets

Item	Reporting Period	Same period of last year
Bad debt loss	-1,540,543.50	-1,541,116.89
Impairment loss on inventories	1,604,983.07	780,305.75
Total	64,439.57	-760,811.14

38. Gains from changes in fair value

Source of fair value change	Reporting Period	Same period of last year
Financial assets measured by fair value and the changes be included in the current profits and losses	1,881,750.00	27,300.00
Of which, gains on the changes in the fair value of derivative financial instruments	1,881,750.00	27,300.00
Financial liabilities measured by fair value and the changes included in the current gains and losses	0.00	5,617,750.00
Total	1,881,750.00	5,645,050.00

39. Investment income

Item	Reporting Period	Same period of last year
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	576,100.00	-4,442,911.95
Investment income from financial products	1,148,630.14	0.00

Item	Reporting Period	Same period of last year
Others	0.00	8,474.00
Total	1,724,730.14	-4,434,437.95

40. Non-operating income

Item	Reporting Period	Same period of last year	Amount recorded into the non-recurring gains and losses
Total gains from disposal of non-current assets	336,752.14	542,527.01	336,752.14
Including: Gains from disposal of fixed assets	336,752.14	542,527.01	336,752.14
Unpayable overdue accounts payable	844,169.97	357,502.62	844,169.97
Government subsidies	888,232.00	2,627,972.00	888,232.00
Other	1,283,928.79	821,047.77	1,283,928.79
Total	3,353,082.90	4,349,049.40	3,353,082.90

Of which, government subsidies recorded into current profits and losses:

Item	Reporting Period	Same period of last year	Related to assets/related income	Whether non-current gains or losses or not
Patents subsidies	40,600.00	0.00	Related to the income	Yes
Award for improvement in production and efficiency	0.00	100,000.00	Related to the income	Yes
Transformation and upgrading of export industry	0.00	836,053.00	Related to the income	Yes
Government subsidy in export credit insurance	537,632.00	179,419.00	Related to the income	Yes
Award to municipal-level industries	0.00	1,000,000.00	Related to the income	Yes
Subsidies for technological innovation	300,000.00	0.00	Related to the income	Yes
Fund subsidy for intelligent manufacturing items	0.00	507,500.00	Related to the income	Yes
Other	10,000.00	5,000.00	Related to the income	Yes
Total	888,232.00	2,627,972.00		

41. Non-operating expenses

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	229,400.08	17,353.82	229,400.08
Including: Loss on disposal of fixed assets	18,235.42	0.00	18,235.42
Loss on scraped fixed assets	190,452.01	16,717.75	190,452.01
Fixed assets inventory loss	20,712.65	636.07	20,712.65
Fines	19,000.00	3,448.44	19,000.00
Donation	50,000.00	0.00	50,000.00
Other	0.00	40,922.71	0.00
Total	298,400.08	61,724.97	298,400.08

42. Income tax expense

(1) Lists of income tax expense

Item	Reporting Period	Same period of last year
Current income tax expense	-238,708.37	2,015,929.23
Deferred income tax expense	3,654,776.13	741,396.70
Total	3,416,067.76	2,757,325.93

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

Item	Reporting Period
Total profits	16,981,482.49
Current income tax expense accounted by tax and relevant regulations	4,245,370.62
Impact of differing tax rates applicable to subsidiaries	-2,788,992.50
Impact of adjustment for prior period tax expenses	0.00
Impact of non-taxable income	0.00
Impact of non-deductible costs, expenses and losses	73,481.75
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	3,448,534.19
Adjustment of deferred tax assets and deferred tax liabilities brought forward due to changes in tax rates	0.00
Impact of additional deduction for R&D expenses	-1,562,326.30
Income tax expense	3,416,067.76

43. Other comprehensive income

See Note VI 29 for more details.

44. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities:

Item	Reporting Period	Same period of last year
Government subsidies	888,232.00	2,627,972.00
Interest income	2,128,069.08	3,375,534.00
Rent income	15,875,926.97	13,693,655.65
Funds in current account and others	12,821,718.26	15,109,150.18
Total	31,713,946.31	34,806,311.83

(2) Other cash payments relating to operating activities

Item	Reporting Period	Same period of last year
Penalties and donations paid	69,000.00	448.44
Bank charges	791,760.75	1,043,931.11
Sales expenses and general and administrative expenses paid by cash	84,375,936.83	57,843,445.56
Funds in current account and others	51,230,059.86	41,760,971.41
Total	136,466,757.44	100,648,796.52

(3) Other cash received relevant to investment activities

Item	Reporting Period	Same period of last year
To recover the maturity time deposits that for purpose to earn interest income in financial institutions	42,313,208.55	75,400,000.00
Total	42,313,208.55	75,400,000.00

(4) Other cash paid relevant to investment activities

Item	Reporting Period	Same period of last year
Deposits in financial institutions for the purpose of earning interest income	377,386,926.35	169,327,000.00
Total	377,386,926.35	169,327,000.00

(5) Other cash received relevant to financing activities

Item	Reporting Period	Same period of last year
Inter-bank lending of capital of related parties	6,774,375.98	4,519,265.19
Total	6,774,375.98	4,519,265.19

45. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	13,565,414.73	24,290,577.61
Add: Provision for impairment of assets	64,439.57	-760,811.14
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	21,306,844.24	24,386,736.40
Amortization of intangible assets	1,641,300.74	898,579.42
Long-term unamortized expenses	695,804.71	780,533.53
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-318,516.72	-542,527.01
Loss on retirement of fixed assets (gain presented by "-" prefix)	211,164.66	17,353.82
Losses from variation of fair value (gain presented by "-" prefix)	-1,881,750.00	-5,645,050.00
Financial cost (gain presented by "-" prefix))	8,316,196.20	7,938,507.95
Investment loss (gain presented by "-" prefix)	-1,724,730.14	4,434,437.95
Decrease in deferred income tax assets ((gain presented by "-" prefix)	3,369,488.41	732,126.64
Increase in deferred income tax liabilities (“-” means decrease)	264,711.57	9,270.06

Decrease in inventory (gain presented by "-" prefix)	31,179,588.22	68,280,511.94
Decrease in accounts receivable from operating activities (gain presented by "-" prefix)	14,697,969.99	34,939,749.18
Increase in payables from operating activities (“-” means decrease)	-148,899,222.14	-219,932,002.64
Others		
Net cash flows generated from operating activities	-57,511,295.96	-60,172,006.29
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	263,939,205.09	379,934,827.25
Less: cash at the beginning of the period	738,195,729.53	675,824,861.29
Add: Closing balance of cash equivalents		
Less: Cash at the beginning of the period		
Net increase in cash and cash equivalents	-474,256,524.44	-295,890,034.04

(2) Net Cash paid for obtaining the subsidiary

□Applicable√Not applicable

(3) Net Cash receive from disposal of the subsidiary

□Applicable√Not applicable

(4) Cash and cash equivalents

Item	Reporting Period	Same period of last year
I. Cash	263,939,205.09	379,934,827.25
Including: Cash on hand	890,072.87	733,184.57
Bank deposit on demand	263,049,132.22	379,201,642.68
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	0.00	0.00
III. Closing balance of cash and cash equivalents	263,939,205.09	379,934,827.25
Of which, 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 RMB346,541,506.84. Cash served as payment relating to investing activities shall be listed and deducted from the balance of cash and cash equivalents at the end of current year.

46. The assets with the ownership or use right restricted

Item	2017.6.30	Restricted reason
Monetary capital	346,541,506.84	Time deposits for the purpose of earning interest income in financial institutions
Total	346,541,506.84	

47. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			
Including: USD	53,064,417.83	6.7744	359,479,592.15
JPY	30,522,187.07	0.0605	1,846,134.48
IDR	4,937,289,376.13	0.0005	2,508,138.70
EUR	17,312.86	7.7496	134,167.74
GBP	9,519.60	8.8144	83,909.56
HKD	423,127.52	0.8679	367,240.84
HUF	81,016.00	0.0250	2,025.40
FRF	7.00	7.0886	49.62
TWD	5,606,394.00	0.2226	1,248,028.16
Total			365,669,286.65
Short-term loans			
Including: USD	18,500,000.00	6.7744	125,326,400.00
Total			125,326,400.00
Account receivable			
Including: USD	36,495,204.28	6.7744	247,233,111.78
IDR	24,308,640.00	0.0005	12,348.79
EUR	365,535.32	7.7496	2,832,752.51
JPY	37,273,971.00	0.0605	2,254,516.14
TWD	798,000.00	0.2226	177,641.18
Total			252,510,370.40
Account payable			
Including: USD	7,912,250.89	6.7744	53,600,752.43
EUR	217,794.19	7.7496	1,687,817.85
HKD	920,031.98	0.8679	798,514.16
JPY	7,811,200.00	0.0605	472,460.43
IDR	1,040,790,881.85	0.0005	528,721.77
TWD	4,729,224.00	0.2226	1,052,763.10
Total			58,141,029.74
Other accounts receivable			
Including: JPY	462,290.00	0.0605	27,961.61
USD	182,689.49	6.7744	1,237,611.68
IDR	1,048,137,849.00	0.0005	532,454.03
TWD	1,256,197.00	0.2226	279,639.50
Total			2,077,666.82
Other account payable			
including: HKD	131,390.80	0.8679	114,036.71
JPY	102,246.00	0.0605	6,184.35
USD	1,520,800.17	6.7744	10,302,508.67

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
IDR	832,934,040.00	0.0005	423,130.49
TWD	1,318,266.00	0.2226	293,456.56
Total			11,139,316.78

(2) Description of overseas operating entities including the disclosure of main overseas places of business, recording currency and selection basis of significant overseas operating entities and disclosure reason for the entity whose recording currency changes.

The Company's holding sub-subsidiaries company Pt.Star Comgistic Indonesia is located 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.

The Company's holding sub-subsidiaries company SCPDI is located at West Java province in Indonesia, due to SCPDI are mostly settled in IDR by usual purchases and sales, so that it adopt the IDR as its functional currency.

The Company's holding sub-subsidiaries company TKEI is located at Taiwan, due to TKEI are mostly settled in TWD by usual purchases and sales, so that it adopt the TWD as its functional currency.

The Company's holding sub-subsidiaries company East Sino is located at Hongkong, due to East Sino are mostly settled in HKD by usual purchases and sales, so that it adopt the HKD as its functional currency.

The Company's holding sub-subsidiaries company ORIENT STAR INVESTMENTS LIMITED is located at Hongkong, due to ORIENT STAR INVESTMENTS LIMITED are mostly settled in US dollas by usual purchases and sales, so that it adopt the US dollas 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: naught

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 (Shangha) 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

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Acquired method
				Directly	Indirectly	
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
Pt.Star Comgistic Property Development Indonesia （“SCPDI”）	Indonesia	Indonesia	Real estate development	75	100	Acquired through incorporation
Orient Star Investments Limited (Orient Star Investments)	Hong Kong	Hong Kong	Investment, Trading	75	100	Acquired through business combination under uncommon control
Tsann Kuen Edge 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. (“TKCD”)	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
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	25	7,787,225.00	10,103,416.93	317,566,044.24
TsannKuen (Shangha) Enterprise Co., Ltd.	53.125	-1,623,409.03		44,855,487.78
Tsann Kuen Edge Intelligence Co., Ltd.	25	-1,962,415.75		1,769,786.82
Pt.Star Comgistic Indonesia(SCI)	25	-955,891.87		23,304,818.05

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

Name of subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	1,575,965,099.85	371,689,118.26	1,947,654,218.11	677,107,778.65	282,262.50	677,390,041.15
TsannKuen (Shangha) Enterprise Co., Ltd.	70,363,652.02	17,344,065.29	87,707,717.31	3,273,857.96		3,273,857.96
Tsann Kuen Edge Intelligence Co., Ltd.	6,876,251.66	5,325,646.70	12,201,898.36	4,867,046.90	255,704.18	5,122,751.08
Pt.Star Comgistic Indonesia(SCI)	58,766,882.75	76,658,037.14	135,424,919.89	41,467,235.57	738,412.13	42,205,647.70

(Continued)

Name of subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	1,624,051,073.12	364,451,512.20	1,988,502,585.32	708,973,640.65		708,973,640.65
TsannKuen (Shangha) Enterprise Co., Ltd.	72,271,032.35	18,580,465.06	90,851,497.41	3,361,809.30		3,361,809.30
Tsann Kuen Edge Intelligence Co., Ltd.	13,840,007.66	4,808,941.09	18,648,948.75	4,270,700.85	5321.58	4,276,022.43
Pt.Star Comgistic Indonesia(SCI)	50,276,296.04	76,114,006.87	126,390,302.91	26,310,784.21	756,139.85	27,066,924.06

(Continued)

Name	Reporting Period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	819,506,110.82	31,148,900.00		-41,034,228.98
TsannKuen (Shangha) Enterprise Co., Ltd.	429,020.81	-3,055,828.76		-2,883,754.57
Tsann Kuen Edge Intelligence Co., Ltd.	3,528,954.02	-7,849,662.99		-7,771,230.43
Pt.Star Comgistic Indonesia(SCI)	49,326,459.51	-3,823,567.47		1,806,173.69

(Continued)

Name	Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	757,339,909.16	36,328,907.41		94,566,449.14
TsannKuen (Shangha) Enterprise Co., Ltd.	1,319,683.80	1,615,462.46		2,516,500.80
Tsann Kuen Edge Intelligence Co., Ltd.	2,322,933.29	-3,929,651.24		-4,130,727.32
Pt.Star Comgistic Indonesia(SCI)	30,021,531.63	-10,158,628.72		-2,690,472.42

2. The transactions which change the owner's equity of subsidiaries, and through the transactions that the owner still control the subsidiaries

□Applicable√Not applicable

IX. The risk related financial instruments

The main financial instruments of the Company includes equity investments, debt investments, loans, accounts receivable, accounts payable, convertible bond and so on. For more details about all financial instruments, please see the relevant items in NoteVI. The risk associated with financial instruments, and risk management policies which the company uses to reduce these risks are described as follows. The management of the Company manages and supervises the risks to ensure

that the risks can be controlled within a limited range.

The Company analyzes the rationality of risk variables and possible impacts of possible changes on current gain and loss or shareholders' equity through sensivity analysis. All risk variables rarely can change in isolation, and the correlation between variables has great influence on the ultimate amount generated from the change of some risk variable. Thus, the following is done on the assumption that each variable changes in isolation.

(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, HKD and TWD, in addition to the Company's subsidiary SCI purchases and sales used by USD, SCPDI by IDR, TKEI by TWD, East Sino by HKD and Orient Star Investments by USD, the other main business activities of the Company used by RMB. On 30 June 2017, except the following assets or liabilities are recorded in foreign currency, the others are recorded in RMB. Foreign exchange risk of the assets and liabilities in foreign currencies may have an impact on the Company's performance of operation.

Item	2017.6.30	2016.12.31
Monetary capital	365,669,286.65	373,034,883.47
Account receivable	252,510,370.40	247,566,867.43
Other accounts receivable	2,077,666.82	991,675.55
Accounts payable	58,141,029.74	52,464,873.92
Other account payable	11,139,316.78	2,965,091.63
Short-term loans	125,326,400.00	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 2017.

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

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
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	1,881,750.00			1,881,750.00
Total assets of consistent fair value measurement	1,881,750.00			1,881,750.00
II. Trading financial liabilities				
Including: tradable bond issued				
Derivative financial liabilities				
Others				
Total liabilities of consistent fair value measurement				

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

Name of parent company	Whether related transaction	Type of incorporation	Registration place	Legal Representative:	Nature of business
STAR COMGISTIC CAPITAL CO.,LTD.	Final control company	INC	Taiwan	Chen Yanjun	Manufacture and sales electrical equipment

（Continued）

Name of parent company	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)	The ultimate controller of the enterprise	Organization code
STAR COMGISTIC CAPITAL CO.,LTD.	TWD 3,000,000,000.00	42.90	44.68	Wu Cankun	28986660

2. Subsidiaries of the Company

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

3. Details of other related parties

Name	Relationship
Sino Global Development Ltd.	Under same actual controller
Xiamen Shengming Electronics Co., Ltd.	The company directly controlled by the key management and closed family members
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	Ultimate holding company have equity
TsannKuen Enterprise Co., Ltd.	Under same actual controller
Fast Three E-commerce Service Co., Ltd.	Under same actual controller
Gold Mine Chain Enterprise Co., Ltd.	Under same actual controller
Star International Travel Co., Ltd.	Same ultimate holding company
Starcomgistic Australia Pty Ltd	Under same actual controller

4. 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	16,738,518.44	40,000,000.00	No	14,355,901.32
TsannKuen Enterprise Co., Ltd.	Purchase of goods	19,035.91	100,000.00	No	12,265.48
Gold Mine Chain Enterprise Co., Ltd.	Purchase of goods	392.98		Yes	
STAR COMGISTIC CAPITAL CO.,LTD.	Purchase of goods	2,876.99	40,000.00	No	
Total		16,760,824.32			14,368,166.80

②The situation of sells goods or rendering services

Related party	Content	Reporting Period	Same period of last year
STAR COMGISTIC CAPITAL CO.,LTD.	Sale of goods	7,922,076.14	7,864,689.34
TsannKuen Enterprise Co., Ltd.	Sale of goods	570.82	
Gold Mine Chain Enterprise Co., Ltd.	Sale of goods	85,749.96	
Total		8,008,396.92	7,864,689.34

(2) Information of related lease

① The Company is as the leasor

Name of lessee	Category of leased assets	Reporting Period	Same period of last year
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	House property	32,760.00	32,760.00
Total		32,760.00	32,760.00

②The Company is as the lessee

Name of lessor	Category of leased assets	Reporting Period	Same period of last year
STAR COMGISTIC CAPITAL CO.,LTD.	House property	691,394.42	78,672.13
Total		691,394.42	78,672.13

(3) Assets transfer, Debt restructuring between related parties

Related party	Content	Reporting Period	Same period of last year
Starcomgistic Australia Pty Ltd	Sale of fixed assets	17,664.40	
TsannKuen Enterprise Co., Ltd.	Sale of fixed assets		6,882.63
Total		17,664.40	6,882.63
TsannKuen Enterprise Co., Ltd.	Purchase of fixed assets	177,486.58	
Fast Three E-commerce Service Co., Ltd.	Purchase of fixed assets	36,433.06	
Total		213,919.64	

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

Related party	Content	Reporting Period	Same period of last year
STAR COMGISTIC CAPITAL CO.,LTD.	Borrowing capital		4,519,265.19
Sino Global Development Ltd.	Borrowing capital	6,774,375.98	
Sino Global Development Ltd.	Interest from inter-bank borrowing and lending	115,259.48	
Total		6,889,635.46	4,519,265.19

(5) Other related-party transactions

Related party	Content	Reporting Period	Same period of last year
Star International Travel Co., Ltd.	Receiving service	419,093.08	
Fast Three E-commerce Service Co., Ltd.	Receiving labor service	34,565.61	
STAR COMGISTIC CAPITAL CO., LTD.	Receiving service	6,211.35	
TsannKuen Enterprise Co., Ltd.	Offering labor service	33,151.76	
Total		493,021.80	

5. Receivables and payables of related parties

(1) Receivables

Name of item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable:				
STAR COMGISTIC CAPITAL CO., LTD.	2,416,174.80		2,658,068.80	
Gold Mine Chain Enterprise Co., Ltd.			21,717.29	
Total	2,416,174.80		2,679,786.09	
Other accounts receivable:				
TsannKuen Enterprise Co., Ltd.	5,818.27		17,478.11	
STAR COMGISTIC CAPITAL CO., LTD.	207,870.22		201,186.60	
Gold Mine Chain Enterprise Co., Ltd.	30,322.61		29,347.65	
Total	244,011.10		248,012.36	

(2) Payables

Name of item	Closing balance	Opening balance
Accounts payable:		
Xiamen Shengming Electronics Co., Ltd.	9,966,993.00	11,632,531.94
Total	9,966,993.00	11,632,531.94
Prepayment:		
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	609.59	
Total	609.59	
Other account payable:		
Xiamen Shengming Electronics Co., Ltd.		55,000.00
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	23,776.60	23,776.60
TsannKuen Enterprise Co., Ltd.		1,914.91
STAR COMGISTIC CAPITAL CO., LTD.	38,812.61	15,423.37
Fast Three E-commerce Service Co., Ltd.		2,171.23
Sino Global Development Ltd.	6,831,280.73	
Total	6,893,869.94	98,286.11

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:

Unit: RMB ten thousands

Item	2017.06.30	2016.12.31
Minimum lease payments of irrevocable operating lease		
1 year after balance date	3,638	3,638
2 year after balance date	3,638	3,638
3 year after balance date	3,638	3,638
Future years	116,409	123,685
Total	127,323	134,599

2.Contingency

(1) 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.

On November 20, 2016, on the dispute between TKS and Hujia Fruit Co., Ltd., Shanghai Jiading District People's Court made ((2015) Jia Min Er (Commerce) the first word No. 2661) civil judgment: the decision supports the claims of TKS and Hujia Fruit Co., Ltd. shall immediately stop the infringement within 10 days after the court's judgment takes effect, cease construction and restore the original appearance of the site.

Hujia Fruit Co., Ltd was not satisfied with the first instance verdict and appealed to the Shanghai Second Intermediate People's Court.. On June 23, 2017, Shanghai Second Intermediate People's Court made ((2017) H 02 Civil Final Judgement No. 3007) and rejected the appeal of Hujia Fruit Co., Ltd.

(2) As MTN Products, Inc./ Water Solutions （Hong Kong）Ltd.（"MTN/WSL"）didn't pay relevant payment in time and fulfill the order in accordance with the contract, on November 23, 2016, the subsidiary of the Company TKL submitted petition to SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES suing MTN/WSL for payment of US $ 707,522.92 and US $ 1,402,940 for reserve losses, totaling US $ 2,110,462.92. As of the date of this report, the case is still pending.

(3) As Philips Lighting (China) Investment Co., Ltd. ("Philips Lighting") did not pay the relevant payment in accordance with the relevant agreement, the company's subsidiary TKL submitted petition to Longhai People's Court requesting Philips Lighting's payment of RMB2,499,658.4. As of the date of this report, the case is still pending.

(4) TsannKuen (Xiamen) Enterprise Co., Ltd. ("Xiamen Tsann Kuen") and Tianyuan (Xiamen) Assets management Co., Ltd. ("Tianyuan Company") signed the "Land Lease Contract (Northwest Corner)" and Housing Lease Contract (North Building) "on June 26, 2013, the " Venue Lease Contract (Southeast Corner) " and " Housing Lease Contract (Huarong Road No.23) "(part of the house) on July 29, 2013. Xiamen Tsann Kuen will lease part of ground and housing in plant located at Xinglong Road No.88. to Tianyuan Company for business activities.

As Tian Yuan Company did not pay the rent in accordance with the contract in time and unauthorized use of the lease, the Company filed a lawsuit to the Xiamen Huli District People's Court of to pay the relevant rent. On December 29, 2015, the Huli District

People's Court of Xiamen ruled to combine the four cases and hear them. On May 30, 2017, Xiamen Huli District People's Court made the first instance judgement: Tianyuan Company shall pay Xiamen Tsann Kuen the penalty due to overdue payment. Whether the two sides have reached an agreement has not decided yet.

XIV. Events after balance sheet date

□ Applicable √ Not applicable

XV. Other significant events

□ Applicable √ Not applicable

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

1. Accounts receivable

(1) Accounts receivable classified by category

Item	2017.06.30				
	Book balance		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:	11,675,968.35	100.00	504,679.35	4.32	11,171,289.00
Portfolio by age	11,458,667.65	98.14	504,679.35	4.40	10,953,988.30
Related party group	217,300.70	1.86	0.00	0.00	217,300.70
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	11,675,968.35	100.00	504,679.35	4.32	11,171,289.00

(Continued)

Item	2016.12.31				
	Book balance		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:	31,635,877.38	100.00	1,551,245.00	4.90	30,084,632.38
Portfolio by age	30,918,276.22	97.73	1,551,245.00	5.02	29,367,031.22
Related party group	717,601.16	2.27	0.00	0.00	717,601.16
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	31,635,877.38	100.00	1,551,245.00	4.90	30,084,632.38

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

Aging	2017.06.30		
	Amount	Bad debt provision	Proportion (%)
Within 1 year	11,453,022.16	499,033.86	4.36
Including: 1-90 days	6,793,840.13	0.00	0.00
91-180 days	4,544,282.83	454,428.28	10.00
181-270 days	64,220.12	19,266.04	30.00
271-365 days	50,679.08	25,339.54	50.00
1-2 years	5,645.49	5,645.49	100.00
Total	11,458,667.65	504,679.35	4.40

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

Item	2017.06.30		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	217,300.70	0.00	0.00
Total	217,300.70	0.00	0.00

(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 RMB0.; the amount of recovered or reversed allowance for bad debts during the Reporting Period is of RMB1,046,565.65.

(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 RMB11,903,213.49, accounting for 101.95% of the total accounts receivable as at the end of the Reporting Period, the total corresponding allowance for bad debts is RMB457,608.28.

2. Other accounts receivable

(1) Disclosure by classification

Item	2017.06.30				
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	Book value
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	704,387.43	77.63	32,266.35	4.58	672,121.08
Portfolio by age	704,387.43	77.63	32,266.35	4.58	672,121.08
Related party group	0.00	0.00	0.00	0.00	0.00
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	203,000.00	22.37	0.00	0.00	203,000.00
Total	907,387.43	100.00	32,266.35	3.56	875,121.08

(Continued)

Item	2016.12.31				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	331,154.78	55.46	57,470.55	17.35	273,684.23
Portfolio by age	285,736.39	47.85	57,470.55	20.11	228,265.84
Related party group	45,418.39	7.61	0.00	0.00	45,418.39
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	266,000.00	44.54	0.00	0.00	266,000.00
Total	597,154.78	100.00	57,470.55	9.62	539,684.23

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

Aging	2017.06.30		
	Other accounts receivable	Bad debt provision	Proportion(%)
Within 1 year	679,903.33	7,782.25	1.14
Including: 1-90 days	659,538.83	0.00	0.00
91-180 days	0.00	0.00	0.00
181-270 days	12,000.00	3,600.00	30.00
271-365 days	8,364.50	4,182.25	50.00
1-2years	24,484.10	24,484.10	100.00
Total	704,387.43	32,266.35	4.58

(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 RMB0; the amount of the reversed or collected part during the Reporting Period was of RMB25,204.20.

(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

Nature	2017.06.30	2016.12.31
Non-related party	907,387.43	551,736.39
Related	0.00	45,418.39
Total	907,387.43	597,154.78

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

Items	Nature	Closing balance	Aging	% of total	Closing balance of bad debt provision
No.1	Central collection	595,547.02	0-30 days	65.63	
No.2	Margin	103,000.00	Over 1 years	11.35	

No. 3	Margin & annual fee	42,000.00	Over 1 years	4.63
No. 4	Margin	30,000.00	Over 1 years	3.31
No. 5	Daily suspense debit	30,000.00	0-30 days	3.31
Total		800,547.02		88.23

3. Long-term equity investment

(1) Long-term equity investment

Item	2017.06.30			2016.12.31		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	922,914,701.56	0.00	922,914,701.56	922,914,701.56	0.00	922,914,701.56
Total	922,914,701.56	0.00	922,914,701.56	922,914,701.56	0.00	922,914,701.56

(2) Investment to the subsidiary

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
TKL	921,914,701.56	0.00	0.00	921,914,701.56	0.00	0.00
Xiamen Tsannkuen Home Appliance Design Co., Ltd.	1,000,000.00	0.00	0.00	1,000,000.00	0.00	0.00
Total	922,914,701.56	0.00	0.00	922,914,701.56	0.00	0.00

4.Revenues and operating costs

Item	Reporting Period	Same period of last year
Main operations	29,163,387.63	54,967,379.49
Other operations	8,772,475.75	9,316,802.67
Total	37,935,863.38	64,284,182.16
Costs of main operations	25,654,159.29	50,167,049.69
Other operation cost	1,091,104.50	1,244,429.96
Total	26,745,263.79	51,411,479.65

5. Investment income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	30,310,250.78	41,472,998.07
Investment income arising from disposal of long-term equity investments	0.00	66,100,670.73
Others	0.00	8,474.00
Total	30,310,250.78	107,582,142.80

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)	131,250.15	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	888,232.00	
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		
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	3,606,480.14	Mainly was the income from sale of forward foreign exchange contract investment, change in fair value, financial products and other current assets returns
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	2,035,200.67	
Project confirmed with the definition of non-recurring gains and losses and losses		
Less: Income tax effects	960,213.95	
Minority interests effects (after tax)	1,438,047.96	
Total	4,262,901.05	

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	1.79	0.06	0.06
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	1.11	0.04	0.04

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