

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

2018 SEMI-ANNUAL REPORT

(Unaudited)

August 2018

Section I. Important Statements, Contents & Terms

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

All directors attended the board session for reviewing this Report.

Investors are kindly reminded to read the full text of this Report carefully and pay special attention to the risks mentioned in “X. Risks facing the Company and countermeasures” under “Section IV. Performance Discussion & Analysis”.

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

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

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

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Terms

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

Section II. Company Profile & Financial Highlights

I. Basic information about the Company

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

II. Contact information

	Board Secretary	Securities Representative
Name	Sun Meimei	Dong Yuanyuan
Contact address	TSANN KUEN Industrial Park, Taiwanese Investment Zone, Zhangzhou, Fujian Province, P.R.China	TSANN KUEN Industrial Park, Taiwanese Investment Zone, Zhangzhou, Fujian Province, P.R.China
Tel.	0596-6268161	0596-6268103
Fax	0596-6268104	0596-6268104
E-mail	mm_sun@tkl.tsannkuen.com	yy_dong@tkl.tsannkuen.com

III. Other information

1. Ways to contact the Company

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

Applicable Not applicable

2. About information disclosure and where this Report is placed

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

Applicable Not applicable

3. Other relevant information

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

Applicable Not applicable

IV. Accounting and financial highlights

Does the Company need to adjust retrospectively or restate accounting data of previous periods?

Yes No

Unit: RMB Yuan

Item	Reporting Period	Same period of last year	YoY +/- (%)
Operating revenue	691,510,505.23	869,683,758.68	-20.49
Net profit attributable to shareholders of the Company	-28,341,686.77	11,066,574.11	-356.10
Net profit attributable to shareholders of the Company before extraordinary gains and losses	-31,209,045.03	6,803,673.06	-558.71
Net cash flows from operating activities	-119,821,570.49	-57,511,295.96	-108.34
Basic EPS (RMB Yuan/share)	-0.15	0.06	-350.00
Diluted EPS (RMB Yuan/share)	-0.15	0.06	-350.00
Weighted average ROE (%)	-4.73	1.79	-6.52
Item	As at the end of the Reporting Period	As at the end of last year	+/- (%)
Total assets	1,583,091,285.43	1,778,825,153.51	-11.00
Net assets attributable to shareholders of the Company	567,601,992.34	610,814,327.77	-7.07

Total shares of the Company as at closure of the last trading day before the disclosure of this Report:

Total shares of the Company as at closure of the last trading day before the disclosure of this Report (share)	185,391,680
Fully diluted EPS based on the latest total shares (RMB Yuan/share)	-0.15

V. Differences between accounting data under domestic and overseas accounting standards

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

 Applicable Not applicable

No difference in the Reporting Period.

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

 Applicable Not applicable

No difference in the Reporting Period.

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

 Applicable Not applicable

VI. Items and amounts of extraordinary gains and losses

 Applicable Not applicable

Unit: RMB Yuan

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	376,183.60	Gains/losses on the disposal of assets
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents		
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards	1,845,853.00	
Capital occupation charges on non-financial enterprises that recorded into current gains and losses		
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments		
Gain/loss on non-monetary asset swap		
Gain/loss on entrusting others with investments or asset management		
Asset impairment provisions due to acts of God such as natural disasters		
Gain/loss on debt restructuring		
Expenses for business reorganization, such as expenses for staffing, reorganization etc.		
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices		
Current gains and losses of subsidies acquired from business combination under the same control as from period-begin to combination date		
Gain/loss on contingent events irrelevant to the Company's normal business		
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	-57,499.02	Gains on sale of forward exchange contracts, fair value changes and other current assets (wealth management instruments)
Reversal of provision for impairment that made impairment test independently		
Gain/loss on loans obtained by entrusting others		
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations		
Custody fee income when entrusted with operation		
Other non-operation income and expenses other than the above	2,146,598.18	
Other gain/loss items that meet the definition of an extraordinary gain/loss		
Less: Income tax effects	745,230.24	
Minority interests effects (after tax)	698,547.26	
Total	2,867,358.26	

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

Applicable Not applicable

Section III. Business Highlights

I. Main business during the Reporting Period

Development and manufacture of household appliances, electronics, light industrial products, modern office supplies; design and manufacture of molds for those products; Sale of the Company's products in China and to other countries and regions as well as provision of relevant after-sales service; wholesale, retail (only in the Company's own shops), import & export and relevant supporting business of household appliances, electronic products, electrical equipment, office supplies, kitchen utensils and pre-packaged food as well as provision of relevant after-sales service (the aforesaid business scope of the Company does not involve state trading commodities; where quota permission or a license is required, it shall be obtained according to the regulations of the country before operation). No material changes occurred to the business model of the Company in the Reporting Period.

Is the Company subject to any disclosure requirements for special industries?

No.

II. Material changes in main assets

1. Material changes in main assets

Main assets	Material change
Financial assets at fair value through profit/loss	Down 100% from the opening amount of the year, mainly because of assessed loss on forward forex contracts
Interest receivable	Up 100% from the opening amount of the year, mainly because of the opening amount of accrued interest on term deposits being zero
Equity assets	No such assets
Fixed assets	No material change
Construction in progress	Up 45.49% from the opening amount of the year, mainly because site preparation and building repairs had not yet been examined for acceptance
Intangible assets	No material change
Long-term deferred expenses	Up 84.51% from the opening amount of the year, mainly because of building repairs

2. Main assets overseas

Applicable Not applicable

Unit: RMB Yuan

Asset	Nature	Value	Location	Operation status	Measures taken to protect asset safety	Earnings	In the Company's net assets (%)	Any major impairment risk or not
Pt.Star Comgistic Indonesia	Investment	135,486,222.64	Indonesia	Normal	Periodic review	-8,160,647.89	23.87	No
Tsannkuen Edge Intelligence Co., Ltd.	Equity acquisition	9,565,442.49	Taiwan	Normal	Periodic review	-4,085,170.16	1.69	No
Other information	N/A							

III. Core competitiveness analysis

Is the Company subject to any disclosure requirements for special industries?

No.

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

In the reporting period, we obtained 19 patents in R&D, including 2 invention patents, 3 utility model patents and 14 design patents. There are also dozens of patents being applied for. These patents can help better protect our intellectual property rights, give play to our competitive edge in independent property rights, keep a leading position in technology and increase our core competitiveness.

In addition, Tsannkuen Edge Intelligence Co., Ltd. (“Edge Intelligence”), a sub-subsiidiary, owns the Arduino open control platform technology, which will be a great help in our medium and long-term strategy for IOT (Internet of Things), ICT (Information and Communication Tech) and AI (Artificial Intelligence). We always focus on R&D and human resources as the main driving forces for development, just as we always focus on integrated design as a primary means of developing everyday appliances for customers. As the world embraces smart appliances, we will increase our investment in R&D, improve our design system covering Mainland China and Taiwan to promote synergies, and join strong business alliances in the two regions to upgrade our management on smart appliances.

Section IV. Performance Discussion & Analysis

I. Overview

For the reporting period, we achieved operating revenue of RMB692 million, down 20.49% from RMB870 million of the same period of last year, and net profit of RMB-28 million, down 356.10% from RMB11 million of the same period of last year. Operating revenue and gross profit were mainly affected by the weakening American and European markets, customers’ stock control and the rising raw material prices. And profits were also dragged down by assessed impairments of inventories. To boost operating revenue and profits, we will continue to promote innovation in R&D and modularized development and design, utilize components in an economic manner, increase product prices and added value, cut down procurement cost in the supply chain, increase automation in manufacturing, properly adjust product prices through friendly communication, and try to attract more orders.

II. Main business analysis

1. Overview

The Company belongs to the subsector of small household appliance design, manufacturing and marketing. Its business scope primarily includes: development and manufacture of household appliances, electronics, light industrial products, modern office supplies; design and manufacture of molds for those products; Sale of the Company's products in China and to other countries and regions as well as provision of relevant after-sales service; wholesale, retail (only in the Company's own shops), import & export and relevant supporting business of household appliances, electronic products, electrical equipment, office supplies, kitchen utensils and pre-packaged food as well as provision of relevant after-sales service. No material changes occurred to the business model of the Company in the reporting period.

The subsector of small household appliances in which the Company competes is mature and growing. The Company's main products include grills, irons, coffee makers, juicers, ovens, electric tea kettles and toasters, most of which are exported. As the age of intelligent machines comes, small household appliances are gaining more popularity on the international market. And as people's living standards are improving in China, a development trend towards smart, healthy and modern products integrating humanities and science is being seen in the subsector of small household appliances.

The Company vigorously explores the domestic market while also working on the American and European markets. Supported by stable domestic demand, the Company promotes more innovation in R&D under its brand name to create a better future for the Company and maintain a leading position in the industry. Meanwhile, the Company promotes transformation and upgrade in its household appliance business through branding efforts.

2. YoY changes in major financial data

Unit: RMB Yuan

Item	Reporting Period	Same period of last year	+/-%	Main reasons for changes
Operating revenue	691,510,505.23	869,683,758.68	-20.49	
Operating costs	625,449,017.39	739,507,468.93	-15.42	
Taxes and surtaxes	5,691,534.94	5,695,363.61	-0.07	
Selling expenses	27,581,504.82	30,129,026.59	-8.46	
Administrative expenses	74,639,753.64	74,782,758.93	-0.19	
Financial costs	-1,231,441.78	9,184,381.52	-113.41	Decrease in unrealized assessed exchange losses
Asset impairment losses	4,823,333.42	64,439.57	7,385.05	Inventory valuation allowances made for the current period
Gains on fair value changes	-9,934,400.00	1,881,750.00	-627.93	Assessed loss on forward forex contracts in the current period

Item	Reporting Period	Same period of last year	+/-%	Main reasons for changes
Investment income	9,876,900.98	1,724,730.14	472.66	Increased gains on settled forward forex deals
Assets disposal income	376,183.60	318,516.72	18.10	
Other income	1,562,092.00	888,232.00	75.87	Increase in governmental subsidy
Non-business revenue	2,467,573.87	2,128,098.76	15.95	
Non-business expenses	37,214.69	280,164.66	-86.72	Decreased loss on asset retirement
Income tax expenses	-1,038,509.51	3,416,067.76	-130.40	Decrease in recognized deferred income tax expenses
R&D expense	34,122,824.80	36,181,239.58	-5.69	
Net profit	-40,093,551.93	13,565,414.73	-395.56	Decreased operating revenue, rising raw material prices and inventory valuation allowances made
Net cash flows from operating activities	-119,821,570.49	-57,511,295.96	-108.34	Decreased operating revenue
Net cash flows from investing activities	-171,845,120.19	-508,940,750.86	66.23	Decreased outflows of restricted term deposits
Net cash flows from financing activities	-19,294,734.68	100,706,644.87	-119.16	Increased export invoice financing for wealth management purposes in the same period of last year
Net increase in cash and cash equivalents	-315,846,864.07	-474,256,524.44	33.40	Decreased outflows of restricted term deposits

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

Applicable Not applicable

No such cases.

3. Breakdown of main business

Unit: RMB Yuan

Item	Operating revenue	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenue over same period of last year (%)	Increase/decrease of operating costs over same period of last year (%)	Increase/decrease of gross profit rate over same period of last year (%)
Classified by industry						
Small home appliance manufacturing	658,944,365.34	613,781,412.65	6.85%	-21.58%	-15.14%	-7.08%
Total	658,944,365.34	613,781,412.65	6.85%	-21.58%	-15.14%	-7.08%
Classified by product						
Cooking utensils	400,273,785.96	371,762,439.06	7.12%	-25.92%	-16.95%	-10.04%
Everyday home appliances	164,940,858.72	159,587,268.54	3.25%	-26.37%	-24.33%	-2.61%
Tea and coffee makers	84,387,695.78	79,103,482.40	6.26%	14.34%	25.18%	-8.11%
Other	9,342,024.88	3,328,222.65	64.37%	334.25%	110.58%	37.84%
Total	658,944,365.34	613,781,412.65	6.85%	-21.58%	-15.14%	-7.08%
Classified by region						
Americas	246,999,976.03	233,192,853.00	5.59%	-18.31%	-9.90%	-8.81%
Europe	200,874,235.23	191,285,145.74	4.77%	-30.86%	-25.40%	-6.97%

Item	Operating revenue	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenue over same period of last year (%)	Increase/decrease of operating costs over same period of last year (%)	Increase/decrease of gross profit rate over same period of last year (%)
Asia	161,948,690.59	145,155,496.92	10.37%	-10.23%	-6.01%	-4.03%
Australia	38,371,062.48	34,606,394.52	9.81%	-33.45%	-25.12%	-10.03%
Africa	10,750,401.01	9,541,522.47	11.24%	14.68%	28.89%	-9.79%
Total	658,944,365.34	613,781,412.65	6.85%	-21.58%	-15.14%	-7.08%

III. Analysis of non-core business

√ Applicable □ Not applicable

Unit: RMB Yuan

Items	Amount	Ratio to the total profits amount (%)	Notes of the causes	Recurring or not
Asset impairment losses	4,823,333.42	-11.73	Inventory valuation allowances made and reversal of certain allowances for doubtful accounts receivable	No
Gains on fair value changes	-9,934,400.00	24.15	Assessed losses on forward forex contracts	No
Investment income	9,876,900.98	-24.01	Income from settled forward forex contracts and wealth management instruments	No
Assets disposal income	376,183.60	-0.91	Asset disposal	No
Other income	1,562,092.00	-3.80	Government subsidy in relation to production and operation	No
Non-business revenue	2,467,573.87	-6.00	Late interest payment received, B2B revenue, reclassification of overdue payable with no-longer-existing payee	No
Non-business expenses	37,214.69	-0.09	Donation expenses and asset retirement loss	No

IV. Assets and liabilities

1. Significant changes in asset composition

Unit: RMB Yuan

Item	At end of Reporting Period		At end of same period of last year		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	438,035,096.81	27.67	610,480,711.93	36.87	-9.20	
Financial assets at fair value through profit/loss	0.00	0.00	1,881,750.00	0.11	-0.11	Assessed losses on forward forex contracts
Notes receivable	0.00	0.00	990,000.00	0.06	-0.06	No notes receivable in the current period
Accounts receivable	208,402,211.03	13.16	242,579,524.63	14.65	-1.49	
Prepayments	12,683,301.03	0.80	24,784,622.14	1.50	-0.70	Rent prepayments for plants in the same period of last year

Item	At end of Reporting Period		At end of same period of last year		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Interest receivable	1,695,898.95	0.11	1,038,777.61	0.06	0.05	Increase in term deposits
Other receivables	27,051,950.24	1.71	37,688,979.32	2.28	-0.57	Decreased export tax rebates
Inventories	228,857,043.21	14.46	190,784,550.61	11.52	2.94	
Other current assets	377,710,035.73	23.86	281,488,319.23	17.00	6.86	Increase in wealth management instruments
Investment property	30,415,709.80	1.92	39,431,574.89	2.38	-0.46	
Fixed assets	173,586,284.79	10.97	175,644,211.63	10.61	0.36	
Construction in progress	2,996,491.22	0.19	495,974.59	0.03	0.16	Site preparation and building repairs had not yet been examined for acceptance
Intangible assets	28,124,283.40	1.78	28,363,603.13	1.71	0.07	
Long-term deferred expenses	8,096,749.00	0.51	3,446,437.48	0.21	0.30	More building repairs
Deferred income tax assets	22,867,553.35	1.44	13,735,365.16	0.83	0.61	Deferred income tax assets recognized on operating loss carryforwards recognized at the end of last year
Other non-current assets	22,528,676.87	1.42	3,052,537.50	0.18	1.24	Increased prepayments for equipment
Short-term borrowings	17,909,899.30	1.13	125,326,400.00	7.57	-6.44	Increased export invoice financing for wealth management purposes in the same period of last year
Financial liabilities at fair value through profit/loss	6,008,550.00	0.38	0.00	0.00	0.38	Assessed losses on forward forex contracts in the current period
Notes payable	19,942,447.13	1.26	10,517,009.49	0.64	0.62	Increase in banker's acceptance bills in payment
Accounts payable	432,489,623.92	27.32	473,690,790.92	28.61	-1.29	
Accounts received in advance	11,941,937.58	0.75	14,843,333.11	0.90	-0.15	
Payroll payable	39,119,018.68	2.47	39,070,453.37	2.36	0.11	
Tax payable	4,674,769.16	0.30	3,384,970.78	0.20	0.10	Increase in value added tax payable and withheld tax on dividend
Interest payable	9,957.32	0.00	170,592.29	0.01	-0.01	Decreased interest on short-term borrowings
Other accounts payable	63,597,000.58	4.02	56,442,168.31	3.41	0.61	
Long-term payroll payables	178,526.85	0.01	250,205.83	0.02	-0.01	
Specific payables	109,137,778.28	6.89	0.00	0.00	6.89	Compensation for the relocation of TKS at the end of last year
Deferred income tax liabilities	970,006.50	0.06	1,026,173.00	0.06	0.00	
Other comprehensive income	4,580,506.61	0.29	7,225,639.61	0.44	-0.15	Decreased income from foreign-currency translation differences

2. Assets and liabilities measured at fair value√ Applicable Not applicable

Unit: RMB Yuan

Item	Opening balance	Profit/loss on fair value changes in this Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in this Reporting Period	Purchased in this Reporting Period	Sold in this Reporting Period	Closing balance
Financial assets							
1. Financial assets at fair value through profit/loss (excluding derivative financial assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	186,627,900.00	0.00	0.00	0.00	102,610,050.00	289,237,950.00	0.00
3. Available-for-sale financial assets	40,000.00	0.00	0.00	0.00	0.00	0.00	40,000.00
Subtotal of financial assets	186,667,900.00	0.00	0.00	0.00	102,610,050.00	289,237,950.00	40,000.00
Investment property	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Productive living assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total of the above	186,667,900.00	0.00	0.00	0.00	102,610,050.00	289,237,950.00	40,000.00
Financial liabilities	0.00	6,008,550.00	0.00	0.00	204,241,350.00	38,032,400.00	166,208,950.00

Did any significant changes occur to the measurement attributes of the Company's main assets in the Reporting Period?

 Yes No**3. Restricted asset rights as of the end of this Reporting Period** Applicable Not applicable**V. Investments made****1. Total investments made**√ Applicable Not applicable

Unit: RMB Yuan

Investments made in Reporting Period	Investments made in same period of last year	+/-%
0.00	11,422,960.00	-100.00

2. Significant equity investments made in this Reporting Period Applicable Not applicable

3. Significant non-equity investments ongoing in this Reporting Period

Applicable Not applicable

4. Financial investments

(1) Securities investments

Applicable Not applicable

(2) Investment in derivative financial instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Purchased amount in the Reporting Period	Sold amount in the Reporting Period	Impairment provision	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets (%)	Actual gain/loss in the Reporting Period
Bank	No	No	Forward forex	49,347.93	1 January 2018	30 June 2018	18,662.79	30,685.14	32,727.04		16,620.90	29.28	-32.59
Total				49,347.93			18,662.79	30,685.14	32,727.04		16,620.90	29.28	-32.59
Capital source for derivative investment				Self-owned funds									
Lawsuits				N/A									
Disclosure date of the board announcement approving the derivative Investment				2013/3/12									
Disclosure date of the general meeting announcement approving the derivative Investment				2013/5/18									
Risk analysis and risk control measures for positions held in derivatives in this Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				<p>1. Analysis on risks from holding of derivative products: gains or losses from difference between contracted exchange rate and market exchange rate on value date.</p> <p>2. Control measures:</p> <p>(1) Principle: The purpose of the financial derivative operation is to avoid risks. The Company shall not conduct transactional operation for other purposes than risk avoidance. The Company shall not conduct complex derivative trading above the actual operation needs and shall not speculate in derivative trading with hedging as an excuse. The overall contractual amount for risk avoidance of the Company shall not exceed the summation of the net risk exposure of the existing assets and liabilities and the net risk exposure of assets and liabilities arising from the operation of the Company in the coming year.</p> <p>(2) Staff requirements: Personnel taking part in the investment shall all fully understand the risks of derivative investment and strictly execute the business operation and risk management mechanisms for derivative investment.</p> <p>(3) Operation standardization: Before making a derivative investment, the Company shall rationally equip itself with professional personnel for investment decision-making, business operation, risk control, etc. It shall also inquire and compare among various markets and products. Besides, it shall strictly control the variety and size of derivative investment and try to choose derivative trading on exchange as much as possible.</p> <p>(4) Periodic evaluation: Derivative investments shall be evaluated at least twice for a month and the evaluation report shall be sent to a high-ranking executive authorized by the Board of Directors. And a derivative investment report shall be sent to the Board of Directors annually. The Company and its subsidiaries only need to submit to the Board of Directors of the subsidiaries.</p> <p>(5) Loss limit: The investment loss on a single derivative and all the investment loss shall not exceed 20% of the total investment amount.</p> <p>(6) Audit system: The audit department audits derivative product trading periodically and submits audit reports to relevant units.</p>									
Changes in market price or fair value of derivatives invested in this Reporting Period (specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives)				<p>(1) The effect of settled derivatives on profit in the Reporting Period was RMB9.6085 million, and assessed loss on those unsettled was RMB9.9344 million, including an RMB3.9259 million reversal of the assessed gains on unsettled forward forex contracts of last year.</p> <p>(2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month.</p> <p>(3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.</p>									

Significant changes in the Company's accounting policies and specific accounting principles for derivatives in this Reporting Period as compared to the prior period	No significant changes
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company has carried out a strict internal assessment for the financial derivative business and has established a corresponding supervision mechanism. We are of the opinion that the financial derivative business conducted by the Company is fairly necessary in its routine operation and is in compliance with relevant laws and regulations, with the risks controllable.

VI. Sale of major assets and equity interests

1. Sale of major assets

Applicable Not applicable

2. Sale of major equity interests

Applicable Not applicable

VII. Main controlled and joint stock companies

Main subsidiaries and joint stock companies

Unit: RMB Yuan

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Subsidiary	Small home appliance manufacturing	USD160 million	1,752,426,307.49	1,212,262,895.56	633,712,855.58	-34,475,349.72	-31,822,389.67
Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Subsidiary	Small home appliance manufacturing	USD40 million	191,149,181.31	79,626,388.90	460,356.27	-1,237,495.29	-1,238,540.45
Pt.Star Comgistic Indonesia	Subsidiary	Small home appliance manufacturing	USD30 million	135,486,222.64	79,272,790.79	57,156,180.74	-8,010,270.44	-8,160,647.89
Tsannkuen Edge Intelligence Co., Ltd.	Subsidiary	Industrial design	NTD200 million	9,565,442.49	-1,446,987.03	5,186,214.49	-4,113,815.35	-4,085,170.16

Subsidiaries obtained or disposed in this Reporting Period

Applicable Not applicable

1. Tsann Kuen (Zhangzhou) Investment Co., Ltd. ("TKI") was incorporated by the Company's controlled subsidiary, Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. on 15 June 2018 and has been included in the Company's consolidated financial statements since that day.
2. Xiamen Travel Canxing (Xiamen) International Travel Service Co., Ltd. was officially dissolved on 6 February 2018 for it had no actual operations.

VIII. Structured bodies controlled by the Company

Applicable Not applicable

IX. Predict the operating results of January-September 2018

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

Applicable Not applicable

X. Risks facing the Company and countermeasures

1. International

The global economy has recovered overall, and the anti-globalization and the trend of trade protectionism are on the rise with increasing uncertainty of spillover effects from the developed economies policy.

For protecting the domestic newly-developing electrical home appliances manufacturing enterprises, parts of the countries began to adopt trade protectionism and began to suppress the domestic electrical home appliances for the methods such as improve the import tariff. The outburst of the global financial crisis led to the rise of the international trade protection, the aggravation of the tariff barrier and the non-tariff barrier especially such as the technology standard, Intellectual property right protection and anti-dumping etc., as well as the export of the domestic electrical home appliance encountered more and more threatens tariff and non-tariff barrier with the more complicated international environment faced with the electrical home appliances.

Meanwhile, in the OEM market, the supply and demand of the industry gradually varies with the supply exceeding the demand, where the horizontal competition is quite fierce. The cost competition and innovation research are gradually no more accessible to the business opportunities. In addition, along with the development of the new life, the restructuring of industrial leading brand intensifies the competition of the OEM market.

2. Domestic

Though there are still a lot of difficulties, like domestic excess capacity, inadequate endogenous power of economic growth, and increasingly accumulated financial risks, etc, the domestic economy has overall remained a steady and rapid growth with continuous optimization of economic structure and steady employment.

Through the path of expanding domestic demand and the adjustment of the overall economic system, the domestic competition will become fiercer. As the development of the domestic production, the domestic home appliance is now facing the significant industrial consolidation phrase, which could only win in the competition and become the industry integrator with powerful financial strength and the ability to drive the domestic home appliance innovation enterprise. So the small home appliance enterprises are facing with serious competition and challenge. Faced with the quick changes of the domestic environment, the Company will be close to the customers' requirements, to promote the brand image by taking the technology innovation as core, to build up self-own brand, and to develop green, intelligent home appliances to increase the occupation portion of the domestic market.

Meanwhile, the rising cost of raw materials has also posed challenges for enterprises' development in China.

3. Exchange rate fluctuation

The Company's products were export-oriented, so the influence of the exchange rate fluctuation on the Company was rather big. Facing with the negative influences of the appreciation of the RMB, the main methods are: to avoid the exchange risks by the financial tools and to fully considerate the influences of the exchange risks when receiving an order, thus to transfer the exchange risks.

4. Increase of the labor costs and the labor shortage

Influenced by the constantly rise of the labor cost, the Company reduced the employee turnover rate by improving the labor character and perfecting the benefits, promoted the purchasing modularization as well as lean automation, and improved the output per head through continuous employee training to deal with the labor shortage problem.

5. Environmental protection low-carbon

As the execution of the Environmental Protection Act, to prevent and remedy pollution and other public nuisance as well as to ensure the environmental and public health become the development tendency that the production processes of the enterprises must active deal with; the Company put the lean manufacturing into the core goal of the enterprises of this year, with the introduce of the new environmental protection materials, the input of the automation and the promotion of the environmental protection manufacturing that promoted the products of the Company developed orientated to the direction of environmental protection and the environment protection work.

Section V. Significant Events

I. List of the Annual Meeting of Shareholders and Special Meeting of Shareholders held during the Reporting Period

1. List of Meeting of Shareholders during the Reporting Period

Time	Type	Participation ratio	Date of meeting	Date of disclosure	Disclosure index
The 2017 Annual Meeting of Shareholders	Annual Meeting of Shareholders	44.90%	05/18/2018	05/19/2018	www.cninfo.com.cn
The 1 st Extraordinary General Meeting of 2018	Extraordinary General Meeting	45.35%	06/15/2018	06/16/2018	www.cninfo.com.cn

2. Preferred shareholders with the restoration of voting rights made a request for the Special Meeting of Shareholders

Applicable Not applicable

II. Pre-plan for profit allocation and turning capital reserve into share capital during the Reporting period

Applicable Not applicable

The Company planned not to distribute cash dividend and bonus share, and not to convert capital reserves into share capital in half year.

III. Commitments of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers, fulfilled in this reporting period or ongoing at the period-end

Applicable Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes						
Commitments made upon the assets replacement						
Commitments made upon first issuance or refinance						
Commitment on equity incentive						
Other commitments made to minority shareholders	FILLMAN INVESTMENTS LIMITED	Commitment on shareholding	Based on the confidence on the continuous and stable development of	12/28/2012	Long-term effective	The Company's stocks resumed

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		increase	the Company, it committed to increase the shareholding if the Company's stock price lower than HKD2.40 per share after the implementation of the shares contraction and trading resumption, and it would increase no more than 2% shares (i.e. 3.7078 million shares) of the total shares issued by the Company within one year since the date of initial shareholding increase. If the plan on increasing holding 2% shares of the total shares is completed, if the stock price hasn't reached the target price, it will perform relevant approval procedures, and propose to CSRC on continuous implementation of shareholding increase by exemption of offering.			trading on December 31, 2012, but the Company's stock price hasn't met the condition for shareholding increase since the date of trading resumption, FILLMAN Investment Limited hasn't implemented the shareholding increase plan.
Executed on time or not	No					

IV. Engagement and disengagement of CPAs firm

Whether the semi-annual financial report has been audited

Yes No

The semi-annual financial report of the Company has not been audited

V. Notes for “non-standard audit report” of CPAs firm during the Reporting Period by board of directors and supervisory board

Applicable Not applicable

VI. Notes for the related information of “non-standard audit reports” last year by board of directors

Applicable Not applicable

VII. Bankruptcy and restructuring

Applicable Not applicable

VIII. Litigations and arbitrations

Significant litigations and arbitrations

Applicable Not applicable

Other lawsuits

Applicable Not applicable

Unit: RMB'0,000

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
The case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd. sued Japan UCC Ueshima Coffee Co., Ltd. (contract disputes)	1,770.26	No	Zhangzhou Tsann Ken had submitted the indictment to the local judiciary in Kobe, Japan on May 9, 2014; recently is in the trial	Had no result	No	No	No
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (No. 23 of Huarong Rd, Huli District, Xiamen)	29.43	No	Xiamen Huli People's Court had put on record on October 13, 2014. The Court made the first instance of judgment on February 2, 2015, but both two parties refused to the decision and lodged an appeal. Xiamen Intermediate People's Court cancelled the original judgment and remanded for new trial on October 13, 2015.	Xiamen Huli People's Court combined these four cases for trial on December 29, 2015. The first instance of judgment of Xiamen Huli People's Court was made on May 30, 2017: Tianyuan (Xiamen) Assets Management Co., Ltd. should pay the late payment penalty. Whether both parties to appeal has not confirmed yet.	No	No	No
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (North Building of the Factory, No. 88 of Xinglong Rd, Huli District, Xiamen)	58.46		Xiamen Huli People's Court had put on record on April 28, 2015				
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (Southeast Corner, No. 88 of Xinglong Rd, Huli District, Xiamen)	8.32		Xiamen Huli People's Court had put on record on April 28, 2015				
The lease contract default case of the Company sued Xiamen Tianyuan Assets Management Co., Ltd. about the arrears of rent (Northwest Corner, No. 88 of Xinglong Rd, Huli District, Xiamen)	18.61		Xiamen Huli People's Court had put on record on April 28, 2015.				
The case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd. sued MTN Products, Inc./ Water Solutions (Hong Kong) Ltd. (disputes of defaulting on loans)	1,429.40	No	SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES had put on record on November 23, 2016.	Had no result	No	No	No

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
The contract disputes case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd sued Philips lighting (China) investment Co. Ltd.	250	No	Zhangzhou Intermediate People's Court opened the second trial on May 8, 2018.	The first instance of judgment from Longhai People's Court was received on November 12, 2017: Philips shall return the payment for goods of RMB 423,345.63 and the interests of overdue payment to Tsann Kuen China (Zhangzhou), who had instituted an appeal with no result in second trial.	No	No	No
The contract disputes case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd sued Sanda Electric Machinery Co., Ltd. and Boluo County Lianyuan Industrial Technology Co., Ltd.	333	No	Zhangzhou Intermediate People's Court made the judgment on June 11, 2018, and Sanda instituted an appeal.	The first instance of judgment from Zhangzhou Intermediate People's Court was received on June 11, 2018: 1. Defendants of Sanda and Lianyuan returned payments for 80,603 motors of RMB 2,435,368.34 to Tsann Kuen China (Zhangzhou); 2. Defendants of Sanda and Lianyuan returned total RMB895,062.3 for labor cost of checking, dismantling, and sorting out the defective motors, material fees for evidence preservation and cost of photography. Sanda had	No	No	No

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
				instituted an appeal with no result in second trial.			
The lease contract disputes case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd sued Xiamen Sanyili Energy-saving Materials Co., Ltd.	46	No	Longhai People's Court had put on record on April 13, 2017.	The first instance of judgment from Longhai People's Court was received on October 13, 2017: 1. Releasing the lease contract and supplementary agreement signed by both parties; 2. Sanyili shall return the eased property to Tsann Kuen China (Zhangzhou) within a month from the date of the judgment coming into effect; 3. Sanyili shall pay Tsann Kuen China (Zhangzhou) the rent RMB384,036 and the penalty within 10 days from the date of the judgment coming into effect; 4. Sanyili shall pay the money from May, 2017 to the date of returning the plant with RMB71,604 every month. This trial has ended.	Applying to Longhai People's Court for compulsory execution on January 2, 2018.	No	No

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
<p>The total 7 patent infringement cases of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd sued Xiamen Fukun Household Appliance Technology Co., Ltd (patent number: ZL200710009700.7、ZL200820102024.8、ZL200920137778.1、ZL201320822528.8、ZL200920308936.5、ZL201030287767.X、ZL201330112310.9)</p>	70	No	<p>Xiamen Intermediate People's Court opened the court session from June 27, 2017 to June 29, 2017.</p>	<p>The first instance of judgment of Case No. 329, Min 02, Minchu, 2017 from Xiamen Intermediate People's Court was received on March 13, 2018: turned down the claims of Tsann Kuen China (Zhangzhou). The second instance of judgment of Case No. 329 from Fujian Superior People's Court was received on June 21, 2018: upheld the verdict, and turned down the claims. The other 6 cases still had no results.</p>	No	No	No
<p>The contract disputes case of Xiamen Yixin Industrial and Trade Co., Ltd sued the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd.</p>	95.6		<p>Opening the court session on December 26, 2017</p>	<p>The first instance of judgment from Longhai People's Court was received on October 9, 2017: 1. Paying Yixin the payment for mould of RMB339,772.93 and penalty of overdue payment; 2. Paying Yixin the payment for goods of RMB 49,126.69 and penalty of overdue payment; The second instance of judgment from Zhangzhou Intermediate People's Court was received on</p>	<p>Yixin applied for compulsory execution on June 13, 2018, and paid Longhai Court total RMB 425,513 in the afternoon on June 15, 2018.</p>	No	No

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
				March 21, 2018: upheld the verdict			
The patent infringement cases of the Company sued Huayu Electrical Appliance Group Co., Ltd.	100	No	Ningbo Intermediate People's Court opened the court session on March 19, 2018	Had no result	No	No	No
The total 3 patent infringement cases of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd. sued Shenzhen iCare Intelligent Lighting Co., Ltd (patent No: ZL201030580030.7, ZL201120033670.5, ZL201030562160.8)	20	No	Shenzhen Intermediate People's Court opened the court session on May 17, 2018	The first instance of judgment of Case No. 376, Yue 03, Minchu, 2017 from Guangzhou Intellectual Property Court was received on October 31, 2017: iCare stopped producing, selling, and promising to sell infringing products within the effective date of the written judgment, and compensated Tsann Kuen China (Zhangzhou) for financial losses and the instigation fees of RMB 80,000. ICare has instituted an appeal, and the case is still at the trial. The first instance of judgment of Case No. 377, Yue 03, Minchu, 2017 from Guangzhou Intellectual Property Court was received on October 31, 2017: turned down all claims	No	No	No

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
				of Tsann Kuen China (Zhangzhou). Tsann Kuen China (Zhangzhou) has instituted an appeal, and the case is still at the trial. The Case No. 151, Yue 03, Minchu, 2018 was held by Shenzhen Intermediate People's Court on May 17, 2018 with no results yet.			
The patent infringement case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd. sued Shenzhen Kang Mingsheng Science and Technology Industrial Co., Ltd	20	No	Shenzhen Intermediate People's Court had put on record on January 11, 2018	Had no result	No	No	No
The patent infringement case of the controlling subsidiary Tsann Kuen China (Zhangzhou) Enterprise Co., Ltd. sued Guangdong DP Co., Ltd.	20	No	Guangzhou Intellectual Property Court had put on record on December 15, 2017.	Had no result	No	No	No
The contract disputes case of the Company sued Zhongshan Jalja Electric Appliance Technology Co., Ltd.	34	No	Xiamen Huli People's Court had put on record on January 23, 2018.	Had no result	No	No	No
The malicious prosecution case of the Company sued Getty Images (Beijing) Technology Co., Ltd.	10	No	Free Trade Zone Court, Huli Court opened the court session on June 27, 2018	Had no result	No	No	No

IX. Punishments and rectifications

Applicable Inapplicable

No such cases in the Reporting Period.

X. Credit conditions of the Company as well as its controlling shareholder and actual controller

Applicable Not applicable

XI. Implementation of any equity incentive plan, employee stock ownership plan or other incentive measures for employees

Applicable Not applicable

XII. Significant related-party transactions

1. Related-party transactions relevant to routine operation

√ Applicable □ Not applicable

Unit: RMB'0,000

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount	Proportion in same kind of transactions (%)	Approved transaction quota	Whether exceeded the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Thermaster Electronic (Xiamen) Ltd.	Company directly controlled by actual controller and their close family members	Purchase of commodities from the related party	Purchase of raw parts	Based on the market price and both parties abide by the fair and reasonable principle	N/A	1,384.71	2.50%	4,000.00	No	Settled according to the contract signed by both parties	N/A	05/30/2018	www.cninfo.com.cn
Tsann Kuen Enterprise Co., Ltd.	Under the control of the same actual controller	Purchase of commodities from the related party	Purchase of raw parts			1.03	0.00%	10.00	No				
Gold Mining Chain Co., Ltd.	Under the control of the same actual controller	Purchase of commodities from the related party	Purchase of raw parts			0.15	0.00%	5.00	No				
Star Comgistic Capital Co., Ltd.	Ultimate controlling company	Purchase of commodities from the related party	Purchase of raw parts			0.50	0.00%	10.00	No				
Kuaisan Electric Business Service Co.,	Under the control of the same actual	Purchase of	Purchase of raw parts			0.06	0.00%	3.00	No				

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount	Proportion in same kind of transactions (%)	Approved transaction quota	Whether exceeded the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Ltd.	controller	commodities from the related party											
Star Comgistic Capital Co., Ltd.	Ultimate controlling company	Sales of commodities to the related party	Sales of parts and finished products			576.28	0.83%	1,716.00	No				
Gold Mining Chain Co., Ltd.	Under the control of the same actual controller	Sales of commodities to the related party	Sales of parts and finished products			0.00	0.00%	10.00	No				
Total						1,962.73		5,754.00					
Details of large amount of sales returns				N/A									
As for the prediction on the total amount of routine related-party transactions to be occurred in the reporting period by relevant types, the actual performance in the reporting period				N/A									
Reason for significant difference between the transaction price and the market price				N/A									

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

Applicable Not applicable

3. Related-party transitions with joint investments

Applicable Not applicable

4. Significant credits and liabilities with related parties

Applicable Not applicable

Whether exist non-operating credits and liabilities with related parties?

Yes No

5. Other significant related-party transactions

Applicable Not applicable

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

Applicable Not applicable

XIV. Significant contracts and execution

1. Particulars about trusteeship, contract and lease

(1) Trust

Applicable Not applicable

(2) Contract

Applicable Not applicable

(3) Lease

Applicable Not applicable

Notes of the leasing

The proposal on Lease of Property was received and approved at the First Session of the Board of Directors for 2013 dated June 26, 2013 and for details, please refer to the Announcement on Lease of Property, Announcement on Resolutions Made at the First Session of the Board of Directors for 2013 disclosed on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> on June 28, 2013.

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

Applicable Not applicable

Unit: RMB'0,000

Name of contract-out party	Name of leasee	Status of leased assets	Involved amount of the leased assets	Initial date of leasing	Ending date of leasing	Rental income	Recognition basis of rental income	Influences of rental income on the Company	Related-party transaction or not	Relationship
Xiamen Tsann Kun (China) Enterprise Co., Ltd.	Tianyuan(Xiamen) Assets Management Co., Ltd.	Buildings and land	1,616.01	07/01/2013	09/30/2018	525.11	According to the contract price	18.53%	No	N/A

2. Significant guarantees

√ Applicable □ Not applicable

Unit: RMB'0,000

Guarantees subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Tsann Kuen Edge Intelligence	08/04/2017	496.25	2017-08-04	457.31	Pledged	1 year	No	No
PT.STAR COMGISTIC INDONESIA	08/04/2017	1,984.98	2017-08-04	853.39	Pledged	1 year	No	No
Total guarantee line for subsidiaries approved during this Reporting Period (C1)			0	Total actual guarantee amount for subsidiaries during this Reporting Period (C2)				518.34
Total approved guarantee line for subsidiaries at the end of this Reporting Period (C3)			2,481.23	Total actual guarantee balance for subsidiaries at the end of this Reporting Period (C4)				1,310.70
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during this Reporting Period (A1+B1+C1)			0	Total actual guarantee amount during this Reporting Period (A2+B2+C2)				518.34
Total approved guarantee line at the end of this Reporting Period (A3+B3+C3)			2,481.23	Total actual guarantee balance at the end of this Reporting Period (A4+B4+C4)				1,310.70
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				2.31%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				457.31				
Portion of the total guarantee amount in excess of 50% of net assets (F)				0				
Total amount of the three kinds of guarantees above (D+E+F)				457.31				
Explanation on undue guarantee or possible joint liquidated liability undertaken (if any)				N/A				
Explanation on providing external guarantee violating established procedures (if any)				N/A				

3. Other significant contracts

Applicable Not applicable

XV. Social responsibilities

1. Significant environmental protection

Applicable Not applicable

2. Targeted measures taken to help people lift themselves out of poverty

Applicable Not applicable

XVI. Other significant events

Applicable Not applicable

There was no such situation during the Reporting period.

XVII. Significant events of subsidiaries

Applicable Not applicable

Section VI. Change in Shares & Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Before the change		Increase/decrease in the change (+,-)					After the change	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Number	Proportion
I. Unlisted tradable shares	0	0.00%	0	0	0	0	0	0	0.00%
1. Founders' shares									
Among which: shares held by State									
Shares held by domestic corporation									
Shares held by foreign corporations									
Other									
2. Raised corporation shares									
3. Staff shares									
4. Preferred shares or other									
II. Listed tradable shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
1. RMB ordinary shares									
2. Domestically listed foreign shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
3. Foreign capital stocks listed abroad									
4. Other									
III. Total shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%

Reasons for change in share capital

 Applicable Not applicable

Particulars about the approval of the change in share capital

 Applicable Not applicable

The transfer of change in share capital

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

II. Issuance and listing of securities

Applicable Not applicable

III. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the period-end		16,429		Total number of preference shareholders with resumed voting rights at the period-end			0	
Greater than 5% or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total common shares held at the period-end	Increase/decrease during the reporting period	Number of non-tradable common shares	Number of tradable common shares	Pledged or frozen shares	
							Status of shares	Number of shares
FORDCHEE DEVELOPMENT LIMITED	Foreign corporation	29.10%	53,940,530	No change	0	53,940,530	N/A	0
EUPA INDUSTRY CORPORATION LIMITED	Foreign corporation	13.09%	24,268,840	No change	0	24,268,840	N/A	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	4.96%	9,196,449	No change	0	9,196,449	N/A	0
FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	4,621,596	No change	0	4,621,596	N/A	0
CHIAN EVERBRIGHT SECURITIES (HK) CO., LTD	Foreign corporation	1.26%	2,335,823	213,723	0	2,335,823	N/A	0
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED	Foreign corporation	1.06%	1,956,752	No change	0	1,956,752	N/A	0
CHEN YONGQUAN	Domestic individual	1.03%	1,900,376	3,033	0	1,900,376	N/A	0
CHEN YONGQING	Foreign individual	0.80%	1,488,949	No change	0	1,488,949	N/A	0
CHEN LIJUAN	Foreign individual	0.72%	1,339,434	No change	0	1,339,434	N/A	0
DING XIAOLUN	Domestic individual	0.61%	1,135,000	32,000	0	1,135,000	N/A	0
Strategic investor or general corporation becoming a top ten shareholder due to placing of new shares		N/A						
Related parties or acting-in-concert parties		The first, the second and the fourth shareholders are the Company's corporate controlling						

among the shareholders above	shareholders. It is unknown whether the other shareholders of tradable shares are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company's Shareholders.		
Top 10 tradable common share holders			
Name of shareholder	Number of tradable common shares held at the period-end	Type of shares	
		Type	Number
FORDCHEE DEVELOPMENT LIMITED	53,940,530	Domestically listed foreign shares	53,940,530
EUPA INDUSTRY CORPORATION LIMITED	24,268,840	Domestically listed foreign shares	24,268,840
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	9,196,449	Domestically listed foreign shares	9,196,449
FILLMAN INVESTMENTS LIMITED	4,621,596	Domestically listed foreign shares	4,621,596
CHIAN EVERBRIGHT SECURITIES (HK) CO., LTD	2,335,823	Domestically listed foreign shares	2,335,823
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED	1,956,752	Domestically listed foreign shares	1,956,752
CHEN YONGQUAN	1,900,376	Domestically listed foreign shares	1,900,376
CHEN YONGQING	1,488,949	Domestically listed foreign shares	1,488,949
CHEN LIJUAN	1,339,434	Domestically listed foreign shares	1,339,434
DING XIAOLUN	1,135,000	Domestically listed foreign shares	1,135,000
Explanation on associated relationship or/and persons acting in concert among the top ten common tradable shareholders and between the top ten tradable shareholders and the top ten common shareholders	The first, the second and the fourth shareholders are the Company's corporate controlling shareholders. It is unknown whether the other shareholders of tradable shares are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company's Shareholders.		
Explanation on the top 10 common shareholders participating in the margin trading business	N/A		

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

Yea No

No such situation of the Company during the Reporting Period.

IV. Change of the controlling shareholder or the actual controller

Change in controlling shareholder in the Reporting Period

Applicable Not applicable

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

Change of the actual controller during the Reporting Period

Applicable Not applicable

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

Section VII. Preference Shares

Applicable Not applicable

There was no preference stock during the Reporting Period.

Section VIII. Directors, Supervisors, Senior Management Staff &

Employees

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

Applicable Not applicable

There was no change in shareholding of directors, supervisors and senior management staffs, for the specific information please refer to the 2017 Annual Report.

II. Change of directors, supervisors and senior management staff

Applicable Not applicable

There was no change in shareholding of directors, supervisors and senior management staffs, for the specific information please refer to the 2017 Annual Report.

Section IX. Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

Section X. Financial Report

I. Auditor's Report

Whether the semi-annual report has been audited?

Yes No

The semi-annual report of the Company has not been audited.

II. Financial statements (attached)

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

Section XI. Documents Available for Reference

1. This Report carrying the signature and seal of the Board Chairman.
2. The financial statements signed and sealed by the legal representative, the accounting head for this Report and the accounting head of the Company.
3. The originals of all the Company's documents and announcements which were disclosed on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn/> in the reporting period) designated by the CSRC.

The Board of Directors of Tsann Kuen (China) Enterprise Co., Ltd.

Board Chairman: Pan Zhirong

August 7, 2018

1. Consolidated balance sheet

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

Unit: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Monetary funds	VI. 1	438,035,096.81	564,381,960.88
Settlement reserves			
Intra-group lendings			
Financial assets measured at fair value of which changes are recorded in current profits and losses	VI. 2		3,925,850.00
Derivative financial assets			
Notes receivable			
Accounts receivable	VI. 3	208,402,211.03	270,052,420.89
Accounts paid in advance	VI. 4	12,683,301.03	10,939,777.79
Premiums receivable			
Reinsurance premiums receivable			
Receivable reinsurance contract reserves			
Interest receivable	VI. 5	1,695,898.95	
Dividend receivable			
Other accounts receivable	VI. 6	27,051,950.24	35,318,724.60
Financial assets purchased under agreements to resell			
Inventories	VI. 7	228,857,043.21	195,711,505.29
Assets held for sale			
Non-current assets due within 1 year			
Other current assets	VI. 8	377,710,035.73	413,119,671.14
Total current assets		1,294,435,537.00	1,493,449,910.59
Non-current assets:			
Entrusted loans by mandate and advances granted			
Available-for-sale financial assets	VI. 9	40,000.00	40,000.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment			
Investing real estate	VI. 10	30,415,709.80	32,125,408.51
Fixed assets	VI. 11	173,586,284.79	173,361,312.05
Construction in progress	VI. 12	2,996,491.22	2,059,623.18
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets	VI. 13	28,124,283.40	29,501,389.01
R&D expense			
Goodwill			
Long-term deferred expenses	VI. 14	8,096,749.00	4,388,248.42
Deferred income tax assets	VI. 15	22,867,553.35	22,682,483.17
Other non-current assets	VI. 16	22,528,676.87	21,216,778.58
Total of non-current assets		288,655,748.43	285,375,242.92
Total assets		1,583,091,285.43	1,778,825,153.51

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	VI. 17	17,909,899.30	10,832,951.89
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	VI. 18	6,008,550.00	
Derivative financial liabilities			
Notes payable	VI. 19	19,942,447.13	20,024,149.15
Accounts payable	VI. 20	432,489,623.92	583,540,229.36
Accounts received in advance	VI. 21	11,941,937.58	11,661,974.88
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	VI. 22	39,119,018.68	44,803,501.77
Tax payable	VI. 23	4,674,769.16	2,824,721.65
Interest payable	VI. 24	9,957.32	1,448.76
Dividend payable			
Other accounts payable	VI. 25	63,597,000.58	51,138,758.51
Reinsurance premiums payable			
Insurance contract reserve			
Payables for acting trading of securities			
Payables for underwriting of securities			
Liabilities held for sale			
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		595,693,203.67	724,827,735.97
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Of which: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables	VI. 26	178,526.85	156,540.09
Specific payables	VI. 27	109,137,778.28	109,137,778.28
Estimated liabilities			
Deferred income			
Deferred income tax liabilities	VI. 15	970,006.50	1,431,505.08
Other non-current liabilities			
Total non-current liabilities		110,286,311.63	110,725,823.45
Total liabilities		705,979,515.30	835,553,559.42
Shareholders' equity			
Share capital	VI. 28	185,391,680.00	185,391,680.00
Other equity instruments			
Of which: preferred shares			

Item	Note	Closing balance	Opening balance
Perpetual bonds			
Capital reserves	VI. 29	296,808,965.79	296,808,965.79
Less: Treasury stock			
Other comprehensive income	VI. 30	4,580,506.61	4,619,820.87
Specific reserves			
Surplus reserves	VI. 31	33,888,636.90	33,888,636.90
Provisions for general risks			
Retained profits	VI. 32	46,932,203.04	90,105,224.21
Total equity attributable to shareholders of the Company		567,601,992.34	610,814,327.77
Minority interests		309,509,777.79	332,457,266.32
Total shareholders' equity		877,111,770.13	943,271,594.09
Total liabilities and shareholders' equity		1,583,091,285.43	1,778,825,153.51

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

2. Balance sheet of the Company

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

Unit: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Monetary funds	XIII. 1	6,629,136.10	5,342,389.95
Financial assets measured at fair value of which changes are recorded in current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIII. 2	17,656,481.89	20,741,059.08
Accounts paid in advance			443,847.00
Interest receivable			
Dividend receivable			
Other accounts receivable	XIII. 3	2,442,972.59	472,467.07
Inventories		13,038,173.84	16,130,234.05
Assets held for sale			
Non-current assets due within 1 year			
Other current assets			1,023,556.88
Total current assets		39,766,764.42	44,153,554.03
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		31,038,377.44	32,598,504.60
Fixed assets		1,373,412.88	1,568,125.72
Construction in progress			
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets		42,749.99	56,249.99
R&D expense			
Goodwill			
Long-term deferred expenses		4,399.81	18,932.97
Deferred income tax assets		10,422,098.93	10,492,468.50
Other non-current assets			
Total of non-current assets		965,835,740.61	967,688,983.34
Total assets		1,005,602,505.03	1,011,842,537.37

Item	Note	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		55,526,323.32	71,274,018.34
Accounts received in advance		3,685,527.58	1,664,602.93
Payroll payable		4,862,285.91	2,981,548.19
Tax payable		1,923,789.30	894,510.08
Interest payable			
Dividend payable			
Other accounts payable		269,176,533.66	288,656,915.61
Liabilities held for sale			
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		335,174,459.77	365,471,595.15
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Of which: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables			
Specific payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		335,174,459.77	365,471,595.15
Shareholders' 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		33,888,636.90	33,888,636.90
Provisions for general risks			
Retained profits		179,657,438.54	155,600,335.50
Total shareholders' equity		670,428,045.26	646,370,942.22
Total liabilities and shareholders' equity		1,005,602,505.03	1,011,842,537.37

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

3. Consolidated income statement

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

Unit: RMB

Item	Note	Reporting period	Same period of last year
I. Total operating revenues		691,510,505.23	869,683,758.68
Including: Sales income	VI. 33	691,510,505.23	869,683,758.68
II. Total operating costs		736,953,702.43	859,363,439.15
Including: Cost of sales	VI. 33	625,449,017.39	739,507,468.93
Taxes and associate charges	VI. 34	5,691,534.94	5,695,363.61
Selling and distribution expenses	VI. 35	27,581,504.82	30,129,026.59
Administrative expenses	VI. 36	74,639,753.64	74,782,758.93
Financial expenses	VI. 37	-1,231,441.78	9,184,381.52
Asset impairment loss	VI. 38	4,823,333.42	64,439.57
Add: Gain/(loss) from change in fair value (“-” means loss)	VI. 39	-9,934,400.00	1,881,750.00
Gain/(loss) from investment (“-” means loss)	VI. 40	9,876,900.98	1,724,730.14
Including: share of profits in associates and joint ventures			
Foreign exchange gains (“-” means loss)			
Gains on disposal of assets (“-” means loss)	VI. 41	376,183.60	318,516.72
Other gains	VI. 42	1,562,092.00	888,232.00
III. Business profit (“-” means loss)		-43,562,420.62	15,133,548.39
Add: non-operating income	VI. 43	2,467,573.87	2,128,098.76
Including: Gain on scrapping of non-current assets			
Less: non-operating expense	VI. 44	37,214.69	280,164.66
Including: Loss on scrapping of non-current assets		12,582.69	211,164.66
IV. Total profit (“-” means loss)		-41,132,061.44	16,981,482.49
Less: Income tax expense	VI. 45	-1,038,509.51	3,416,067.76
V. Net profit (“-” means loss)		-40,093,551.93	13,565,414.73
(I) Classified by business continuity			
1. Net profit from continued operations (“-” means loss)		-40,093,551.93	13,565,414.73
2. Net profit from discontinued operations (“-” means loss)			
(II) Classified by ownership			
1. Minority shareholders’ income (“-” means loss)		-11,751,865.16	2,498,840.62
2. Net profit attributable to shareholder of the Company (“-” means loss)		-28,341,686.77	11,066,574.11
VI. After-tax net amount of other comprehensive incomes	VI. 46	-52,419.01	-1,688,350.45
After-tax net amount of other comprehensive incomes attributable to shareholders of the Company		-39,314.26	-1,266,262.84
(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		-39,314.26	-1,266,262.84
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		-39,314.26	-1,266,262.84
6. Other			
After-tax net amount of other comprehensive incomes attributable to minority shareholders		-13,104.75	-422,087.61

Item	Note	Reporting period	Same period of last year
VII. Total comprehensive incomes		-40,145,970.94	11,877,064.28
Attributable to shareholders of the Company		-28,381,001.03	9,800,311.27
Attributable to minority shareholders		-11,764,969.91	2,076,753.01
VIII. Earnings per share			
(I) Basic earnings per share		-0.15	0.06
(II) Diluted earnings per share		-0.15	0.06

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 0.

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

4. Income statement of the Company

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

Unit: RMB

Item	Note	Reporting period	Same period of last year
I. Total sales	XIII. 4	57,021,722.96	37,935,863.38
Less: cost of sales	XIII. 4	45,432,601.10	26,745,263.79
Business taxes and surcharges		1,143,445.76	1,034,131.00
Distribution expenses		3,658,807.44	4,655,640.49
Administrative expenses		2,058,893.07	6,256,545.30
Financial costs		163,280.68	-77,973.23
Impairment loss		180,831.29	-890,712.11
Add: gain/(loss) from change in fair value (“-” means loss)			
Gain/(loss) from investment (“-” means loss)	XIII. 5	33,547,555.83	30,310,250.78
Including: income from investment on associates and joint ventures			
Gains on disposal of assets (“-” means loss)			
Other gains			
II. Business profit (“-” means loss)		37,931,419.45	30,523,218.92
Add: non-operating income		1,032,019.56	111,632.54
Including: Gain on scrapping of non-current assets			
Less: non-operating expense		4,632.00	
Including: Loss on scrapping of non-current assets			
III. Total profit (“-” means loss)		38,958,807.01	30,634,851.46
Less: Income tax expense		70,369.57	303,964.46
IV. Net profit (“-” means loss)		38,888,437.44	30,330,887.00
(I) Net profit from continued operations (“-” means loss)			
(II) Net profit from discontinued operations (“-” means loss)			
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		38,888,437.44	30,330,887.00

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

5. Consolidated cash flow statement

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

Unit: RMB

Item	Note	Reporting period	Same period of last year
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		741,100,978.85	880,124,770.86
Tax refunds received		84,150,245.73	98,954,676.31
Other cash received relating to operating activities	VI. 47 (1)	30,549,731.71	31,713,946.31
Subtotal of cash inflows from operating activities		855,800,956.29	1,010,793,393.48
Cash paid for goods and services		765,631,339.82	774,245,705.02
Cash paid to and for employees		130,024,671.94	133,551,803.87
Various taxes paid		10,123,845.80	24,040,423.11
Other cash payment relating to operating activities	VI. 47 (2)	69,842,669.22	136,466,757.44
Subtotal of cash outflows from operating activities		975,622,526.78	1,068,304,689.44
Net cash flows from operating activities		-119,821,570.49	-57,511,295.96
II. Cash flows from investing activities:			
Cash received from withdrawal of investments		79,608,500.00	365,334,812.92
Cash received from return on investments		2,945,209.34	236,201.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		463,696.00	2,112,841.63
Net cash received from disposal of subsidiaries or other business units			
Other cash received relating to investing activities	VI. 47 (3)	246,417,500.00	42,313,208.55
Subtotal of cash inflows from investing activities		329,434,905.34	409,997,064.16
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,362,525.53	38,298,093.66
Cash paid for investment		40,000,000.00	503,252,795.01
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities	VI. 47 (4)	435,917,500.00	377,386,926.35
Subtotal of cash outflows from investing activities		501,280,025.53	918,937,815.02
Net cash flows from investing activities		-171,845,120.19	-508,940,750.86
III. Cash Flows from Financing Activities:			
Cash received from capital contributions			
Including: Cash received from minority shareholder investments by subsidiaries			
Cash received from borrowings		18,881,758.13	151,183,998.00
Cash received from issuance of bonds			
Other cash received relating to financing activities	VI. 47 (5)		6,774,375.98
Subtotal of cash inflows from financing activities		18,881,758.13	157,958,373.98
Repayment of borrowings		11,912,827.70	24,730,160.00
Cash paid for interest expenses and distribution of dividends or profit		26,263,665.11	32,521,569.11
Including: dividends or profit paid by subsidiaries to minority shareholders		11,182,518.60	15,707,954.97
Other cash payments relating to financing activities	VI. 47 (6)		
Sub-total of cash outflows from financing activities		38,176,492.81	57,251,729.11
Net cash flows from financing activities		-19,294,734.68	100,706,644.87

Item	Note	Reporting period	Same period of last year
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-4,885,438.71	-8,511,122.49
V. Net increase in cash and cash equivalents		-315,846,864.07	-474,256,524.44
Add: Opening balance of cash and cash equivalents		564,381,960.88	738,195,729.53
VI. Closing balance of cash and cash equivalents		248,535,096.81	263,939,205.09

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

6. Cash flow statement of the Company

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

Unit: RMB

Item	Note	Reporting period	Same period of last year
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		41,028,955.45	55,674,286.26
Tax refunds received			
Other cash received relating to operating activities		27,809,810.32	21,418,487.10
Subtotal of cash inflows from operating activities		68,838,765.77	77,092,773.36
Cash paid for goods and services		47,257,580.90	53,556,689.27
Cash paid to and for employees		3,011,754.07	7,189,494.06
Various taxes paid		2,342,544.65	2,292,808.84
Other cash payment relating to operating activities		33,484,456.62	21,465,798.37
Subtotal of cash outflows from operating activities		86,096,336.24	84,504,790.54
Net cash flows from operating activities		-17,257,570.47	-7,412,017.18
II. Cash flows from investing activities:			
Cash received from retraction of investments			
Cash received from return on investments		33,547,555.83	30,310,250.78
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		33,547,555.83	30,310,250.78
Cash paid to acquire fixed assets, intangible assets and other long-term assets			25,500.00
Cash paid for investment			
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		0.00	25,500.00
Net cash flows from investing activities		33,547,555.83	30,284,750.78
III. Cash Flows from Financing Activities:			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuance of bonds			
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		0.00	0.00
Repayment of borrowings			
Cash paid for interest expenses and distribution of dividends or profit		14,831,334.40	22,247,001.60
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		14,831,334.40	22,247,001.60

Item	Note	Reporting period	Same period of last year
Net cash flows from financing activities		-14,831,334.40	-22,247,001.60
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-171,904.81	81,131.60
V. Net increase in cash and cash equivalents		1,286,746.15	706,863.60
Add: Opening balance of cash and cash equivalents		5,342,389.95	6,668,219.24
VI. Closing balance of cash and cash equivalents		6,629,136.10	7,375,082.84

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

7. Consolidated statement of changes in shareholders' 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		4,619,820.87		33,888,636.90		90,105,224.21	332,457,266.32	943,271,594.09
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		4,619,820.87		33,888,636.90		90,105,224.21	332,457,266.32	943,271,594.09
III. Increase/ decrease in the period ("-" means decrease)							-39,314.26				-43,173,021.17	-22,947,488.53	-66,159,823.96
(I) Total comprehensive incomes							-39,314.26				-28,341,686.77	-11,764,969.91	-40,145,970.94
(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											-14,831,334.40	-11,182,518.60	-26,013,853.00
1. Appropriations to surplus reserves													
2. Appropriations to													

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										
general risk provisions													
3. Appropriations to owners (or shareholders)											-14,831,334.40	-11,182,518.60	-26,013,853.00
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												-0.02	-0.02
IV. Closing balance	185,391,680.00				296,808,965.79		4,580,506.61		33,888,636.90		46,932,203.04	309,509,777.79	877,111,770.13

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

(Continued)

Unit: RMB

Item	Same period of last year												
	Equity attributable to shareholders of the Company										Minority interests	Total shareholders' 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)							-3,872,081.58		3,942,418.73		-112,280.69	-8,364,659.37	-8,406,602.91
(I) Total comprehensive incomes							-3,872,081.58				26,077,139.64	1,738,757.56	23,943,815.62
(II) Capital increased and reduced by shareholders													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Other													
(III) Profit distribution									3,942,418.73		-26,189,420.33	-10,103,416.93	-32,350,418.53
1. Appropriations to surplus reserves									3,942,418.73		-3,942,418.73		
2. Appropriations to general risk provisions													
3. Appropriations to shareholders											-22,247,001.60	-10,103,416.93	-32,350,418.53
4. Other													
(IV) Internal carry-forward of shareholders' equity													
1. New increase of capital (or share capital) from													

Item	Same period of last year												
	Equity attributable to shareholders of the Company											Minority interests	Total shareholders' 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										
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		4,619,820.87		33,888,636.90		90,105,224.21	332,457,266.32	943,271,594.09

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

8. Statement of changes in shareholders' 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	General risk reserve	Retained profit	Total shareholders' equity
		Preferred shares	Perpetual bonds	Other								
I. Balance at the end of the previous year	185,391,680.00				271,490,289.82				33,888,636.90		155,600,335.50	646,370,942.22
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				33,888,636.90		155,600,335.50	646,370,942.22
III. Increase/decrease in the period (“-” means decrease)											24,057,103.04	24,057,103.04
(I) Total comprehensive incomes											38,888,437.44	38,888,437.44
(II) Capital increased and reduced by shareholders												
1. Common shares increased by shareholders												
2. Capital increased by holders of other equity instruments												
3. Amounts of share-based payments recognized in shareholders' equity												
4. Other												
(III) Profit distribution											-14,831,334.40	-14,831,334.40

Item	Reporting period											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total shareholders' equity
		Preferred shares	Perpetual bonds	Other								
1. Appropriations to surplus reserves												
2. Appropriations to general risk provisions												
3. Appropriations to shareholders										-14,831,334.40		-14,831,334.40
4. Other												
(IV) Internal carry-forward of shareholders' 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				33,888,636.90		179,657,438.54	670,428,045.26

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: 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	General risk reserve	Retained profit	Total shareholders' 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)									3,942,418.73		13,234,767.01	17,177,185.74
(I) Total comprehensive incomes											39,424,187.34	39,424,187.34
(II) Capital increased and reduced by shareholders												
1. Common shares increased by shareholders												
2. Capital increased by holders of other equity instruments												
3. Amounts of share-based payments recognized in shareholders' equity												
4. Other												
(III) Profit distribution									3,942,418.73		-26,189,420.33	-22,247,001.60
1. Appropriations to surplus reserves									3,942,418.73		-3,942,418.73	
2. Appropriations to general risk provisions												
3. Appropriations to shareholders											-22,247,001.60	-22,247,001.60
4. Other												
(IV) Internal carry-forward of shareholders' equity												
1. New increase of capital (or share capital) from capital public reserves												
2. New increase of capital (or share capital) from surplus reserves												

Item	Same period of last year											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total shareholders' equity
		Preferred shares	Perpetual bonds	Other								
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				33,888,636.90		155,600,335.50	646,370,942.22

Legal Representative: Pan Zhirong

Person in Charge of Accounting Work: Feng Zhiqing

Person in Charge of Financial Department: Feng Zhiqing

Tsann Kuen (China) Enterprise Co., Ltd.

Notes to Financial Statements as of June 30, 2018

(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, 2018, 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, 2018, 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 7, 2018

There were 11 subsidiaries be included on June 30, 2018 of the Company with the details in Notes VII "Equities among other entities". There was one more subsidiary during the Reporting Period than that in last year.

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 42 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, allowances 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, 2018. 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. 23 “Revenue” for the description. For description of significant accounting judgments and estimates made by management, see Note IV. 28 “Significant accounting judgments and estimates”.

1. Accounting period

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

2. Operating cycle

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

3. Monetary Unit

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

prepare its functional statements.

4. Business combination

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

(1) Business combination involving entities under common control

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

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

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

(2) Business combination involving entities not under common control

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

For a business combination not involving enterprise under common control, the

combination cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services etc and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. The transaction cost arose from issuing of equity securities or liability securities shall be initially recognized as equity securities or liability securities. The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted. Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised 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 recognise the remaining difference immediately in profit or loss for the current period.

Where the temporary difference obtained by the acquirer was not recognised 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 recognised, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognised 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” (CaiKuai [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 Note IV.13 “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 unrealised 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 recognised 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 (ie, 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.13 Long-term equity investments and Note IV. 9 Financial instruments for details.

The company get through multiple transactions step deal 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:①these transactions are considered simultaneously, or in the case of mutual influence made, ②these

transactions as a whole in order to achieve a complete business results; ③the occurrence of a transaction depends on occurs at least one other transaction; ④a 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.13. (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 disposals, recognised 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.13 (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 the joint 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 realizable value 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 overseas operating investment is recorded in the comprehensive income till the date of disposal and recognised 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 recognised 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 recognised as “exchange differences arising on translation of financial statements denominated in foreign currencies” in owner’s equity, and in profit or loss for the period upon disposal of the foreign operation.

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

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

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

At the disposal of all of the company's ownership interest in a foreign operation, or due

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

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

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 through profit or loss, held-to maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

① Financial assets at fair value through profit or loss:

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

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

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

Financial 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 principal, 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 nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any

cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

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
Over 365 days	100.00	100.00

b. Adopt other methods for recognition of impairment allowances

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

③ Provisions of bad debts that is individually insignificant.

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 impairment, 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, consignment goods and revolving materials etc.

(2) Valuation method of inventories

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

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

At the balance sheet date, inventories are measured at the lower of the cost and net

realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories, Provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

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

(4) The perpetual inventory system is maintained for stock system.

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

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

12. Assets held for sale and disposal group

The company classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the following conditions shall be met: a) the asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b) the company has made the resolution on the disposal plan and must be committed to a plan to sell the asset (or disposal group); c) the sale is expected to be completed within one year from the date of classification. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group shall include goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of Accounting Standard for Business Enterprises No. 8 – Impairment of assets.

The company measure a non-current asset or disposal group classified as held for sale at

the lower of its carrying amount and fair value less costs to sell on initial recognition and subsequent remeasurement on the balance sheet date. An impairment loss is recognised when the carrying amount is higher than the fair value less costs to sell, and allowance for impairment is recognised accordingly. For the disposal group, the recognised impairment loss on assets is offset against the carrying amount of the goodwill in the disposal group, and then reduced in proportion of the book value of the non-current assets applicable to "Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinued Operations (hereinafter referred to as "held for sale accounting principle") measurement requirements. The company shall recognise a gain during the period for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised after the reclassification to non-current assets held for sale. The book value of assets in the disposal group is increased proportionately according to the proportion of the book value of each non-current asset except for goodwill. Impairment loss recognised before the reclassification to non-current assets held for sale shall not be recovered.

Non-current asset or non-current asset in the disposal group classified as held for sale is not subject to depreciation or amortization. The interest and other expenses on liabilities held in the disposal group for sale are continuously recognised.

Non-current assets or disposal group that no longer meet the conditions of non-current asset held for sale shall be removed from the category, and shall be measured at the lower of the following: (a) The carrying amount before classification as held for sale after adjustment of depreciation, amortization or impairment that should be recognised if it is not classified as non-current assets held for sale; (b) recoverable amount.

13. 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 is recognized in profit or loss. Where assets transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is recognized in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees.

Where the Company has obligation to share additional net loss of the investee, the estimated share of loss would be recognized as accrued liabilities and investment loss. Where the Company has unrecognized share of loss of the investee when the investee generates net profit, the Company's unrecognized share of loss is reduced by the Company's share of net profit and when the Company's unrecognized share or loss is eliminated in full, the Company's share of net profit, if any, is recognized as investment income.

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

③ Acquisition of minority interest

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

④ Disposal of long-term equity investment

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

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

Where the Company's joint control or significant influence over an investee is lost due to

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

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

14. 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. 20 "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.

15. Fixed assets

(1) The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. 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
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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. 20 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.

16. 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. 20.

17. 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 recognised 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 borrowingdenominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognised 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 recognised as an expense for the current period until the acquisition, construction or production is resumed.

18. 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. 20.

19. 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.

20. Impairment of long-term assets

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

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

asset or asset Group, the management shall estimate the expected future cash flows from the asset or asset Group and choose a suitable discount rate in order to calculate the present value of those cash flows. Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset Group where subject asset belongs. Asset Group is the smallest set of assets that can have cash flow in independently.

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

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

21. 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 insurance and annuities. Post-employment benefits included defined 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 retirement shall 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 are 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.

22. 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.

23. 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 settlement, revenue recognition upon from the shipment of goods and conducted the export declaration.

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.

24. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income. The government grants which were acquired by the Company will be used to purchase or otherwise form become long-term assets will be defined as grant related to the assets; the others will be defined as grants related to the income. If the files have not clearly defined government grants objects, it will be divided in the following manner compartmentalize the grants related to the assets and grants related to the income: (1) government documents defined specific projects targets, according to the relative proportion of the budgets of specific items included the expenditure of to form assets and the expenditure will be charged into expense to be divided, the division ratio required at each balance sheet date for review and make changes if necessary; (2) government documents to make a general presentation purposes only, does not specify a particular project, as grants related to the income.

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

When received the government grants actually, recognised and measured them by the actual amount received. However, there is strong evidence that the end of fiscal support policies able to meet the conditions specified in the relevant funds are expected to be able to receive financial support, measured at the amount receivable. Government grants are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable of government departments issued a document entitled have been confirmed, or could reasonably be 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 recognised as deferred income, and evenly amortized to profit or loss over the useful life of the related asset in a reasonable and systematic manner. 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 recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

Government subsidies including both assets-related parts and income-related parts should be treated separately. If it is difficult to separate, the government subsidies as a whole will be classified as income-related government grants.

The government grants related to the daily activities of the Company are included in other income or offset the related costs according to the essence of the economic business. The government grants unrelated to the daily activities are included in the non-operating income and expenses.

When government subsidy needs to be returned, if the related deferred income balance exists, the book value of related deferred income shall be offset and the excess part shall be included in the current profit or loss; if it is other cases, it shall be directly carried to the current profits and losses.

The compensation amount received from the government by the Company for relocation due to the public interest in overall urban planning, reservoir construction, shantytowns reconstruction and settlement of subsidence areas, is recognised as designated payables. Among them, the compensation for the loss of fixed assets and intangible assets, related expenses, stoppage losses and new assets rebuilding after relocation occurred during relocation and reconstruction of the Company, shall be transferred from designated payables to deferred income, and treated as government grants related to assets or the government grants related to income according to the nature. The excess of relocation compensation amount over the amount transferred to deferred income is recognised as capital reserve.

25. 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.

26. 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 Leasor under operating Lease

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

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

At the commencement of a financial lease to which the Company is the Lessee, 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 lessor

At the commencement of a financial lease to which the Company is the lessor, 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.

27. Significant changes in accounting policies and accounting estimates

(1) Changes in accounting policies

No changes in accounting policies need to be disclosed for the current period.

(2) Changes in accounting estimates

No changes in accounting estimates need to be disclosed for the current period.

28. 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 recognised within the same period. Where the changes in accounting estimates affect both current period and future period, the changes are recognised within the period of change and future period.

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

(1) Classification of lease

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

(2) 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.

(3) Impairment of inventories

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regard of inventories and provisions for decline in value of inventories is made if the cost is higher than their net realizable value, and obsolete and slow-movement inventories. Inventories decline in value to net realizable value is the estimated selling price in the ordinary course of business. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events. The

difference between the actual result and the original estimates shall have impact on reverse of the carrying amount of the inventories and their decline in value or provisions during the period of change.

(4) The fair value of financial instruments

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

(5) Impairment of available-for-sale assets

Whether the impairment of available-for-sale financial assets to a large extent depends on 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.

(6) 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 make 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.

(7) 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.

(8) Deferred tax assets

The group shall recognise 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.

(9) 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 the income tax and deferred income tax of the current period during the final determination.

(10) 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 recognised 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 recognised 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.

(11) 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 first level of input value cannot be obtained, the company will hire third-party qualified appraisers to perform the valuation. See Note 9 for disclosure of the valuation techniques and input values used in determining the fair value of various types of assets and liabilities.

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 after deduct the deductible input tax to pay the VAT	5, 6, 10, 16
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

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, 10, 16
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, 10, 16
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

(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

3. Tax concessions and government approvals

In accordance with the “The Notice Regarding to Fujian Province 2017 Second Group of High Technology Enterprise Review” (Mingkegao No. [2018]1), TKL was identified as Fujian Province High Technology Enterprise (The certification No. GR201735000565), the validity is from the year 2017 to 2019. The current income tax is 15%.

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

For the following items noted (including notes on major items in financial statements of the Company), unless otherwise indicated, the “period-begin” refers to 1 January 2018, the “period-end” refers to 30 June 2018, the “Reporting Period” refers to the period from January of 2018 to June of 2018, and the “same period of last year” refers to the period from January of 2017 to June of 2017.

1. Monetary funds

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Cash on hand	675,029.35	800,792.90
Bank deposits	437,360,067.46	563,581,167.98
Other monetary funds	<u>0.00</u>	<u>0.00</u>
Total	<u>438,035,096.81</u>	<u>564,381,960.88</u>

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

(1) Category

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Trading financial assets	0.00	3,925,850.00
Of which: Derivative financial assets	<u>0.00</u>	<u>3,925,850.00</u>
Total	<u>0.00</u>	<u>3,925,850.00</u>

(2) Explanation

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

3. Accounts receivable

(1) Disclosure by classification

<u>Item</u>	<u>Book balance</u>		<u>Bad debt provision</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Accounts receivable of individual significance subject to individually assessment for impairment	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Accounts receivable portfolio subject to impairment by credit risk:					
Including: Portfolio by age	218,435,925.10	100.00	10,033,714.07	4.59	208,402,211.03
Portfolio by related parties	215,386,054.74	98.60	10,033,714.07	4.66	205,352,340.67
Accounts receivable of individually insignificance subject to individually assessment for impairment	3,049,870.36	1.40	0.00	0.00	3,049,870.36
Total	<u>218,435,925.10</u>	<u>100.00</u>	<u>10,033,714.07</u>	<u>4.59</u>	<u>208,402,211.03</u>

(Continued)

<u>Item</u>	<u>Book balance</u>		<u>2017.12.31</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Bad debt provision</u>		
			<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Accounts receivable of individual significance subject to individually assessment for impairment					
Accounts receivable portfolio subject to impairment by credit risk:					
Including: Portfolio by age	282,211,379.57	100.00	12,158,958.68	4.31	270,052,420.89
Portfolio by related parties	280,945,797.16	99.55	12,158,958.68	4.33	268,786,838.48
Accounts receivable of individually insignificance subject to individually assessment for impairment	1,265,582.41	0.45			1,265,582.41
Total	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>282,211,379.57</u>	<u>100.00</u>	<u>12,158,958.68</u>	<u>4.31</u>	<u>270,052,420.89</u>

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

<u>Aging</u>	<u>2018.06.30</u>		
	<u>Amount</u>	<u>Bad debt provision</u>	<u>Proportion (%)</u>
Within 1 year	206,959,704.22	1,607,363.55	0.78
Including: 1-90 days	194,669,752.71	0.00	0.00
91-180 days	10,607,619.82	1,060,761.99	10.00
181-270 days	1,472,821.39	441,846.41	30.00
271-365 days	209,510.30	104,755.15	50.00
1-2years	76,801.40	76,801.40	100.00
2-3years	8,264,466.79	8,264,466.79	100.00
Over 3 years	<u>85,082.33</u>	<u>85,082.33</u>	<u>100.00</u>
Total	<u>215,386,054.74</u>	<u>10,033,714.07</u>	<u>4.66</u>

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

<u>Item</u>	<u>2018.06.30</u>		
	<u>Account receivable</u>	<u>Bad debt provision</u>	<u>Withdrawal proportion (%)</u>
Related party group	<u>3,049,870.36</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>3,049,870.36</u>	<u>0.00</u>	<u>0.00</u>

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

The amount of allowance of bad debts recognized during the Reporting Period is RMB0.00, the amount of recovered allowance for bad debts during the Reporting Period is RMB2,038,870.18, among which, the amount of allowance of bad debts affected by exchange rate is RMB10,417.80.

(3) Accounts receivable written off during the Reporting Period

<u>Item</u>	<u>Amount</u>
Accounts receivable written off	<u>75,956.63</u>

(4) Details of top five accounts receivable in closing balance

The total amount of top five accounts receivables in accounts receivable summarized by debtors as at the end of the Reporting Period is RMB105,247,912.27, accounting for 48.18% of the total accounts receivable as at the end of the Reporting Period, the total corresponding allowance for bad debts is RMB228,946.52.

4. Advances to suppliers**(1) Disclosure by age**

<u>Item</u>	<u>2018.06.30</u>		<u>2017.12.31</u>	
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Proportion (%)</u>
Within 1 year	12,594,334.71	99.30	10,747,472.71	98.24
1 to 2 years	<u>88,966.32</u>	<u>0.70</u>	<u>192,305.08</u>	<u>1.76</u>
Total	<u>12,683,301.03</u>	<u>100.00</u>	<u>10,939,777.79</u>	<u>100.00</u>

(2) Details of top five advance to suppliers in closing balance

The total amount of top five advance to suppliers in closing balance as at the end of Reporting Period is RMB11,336,927.79, accounting for 89.39% of the total closing balance of advance to suppliers.

5. Interest receivable

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Fixed deposit receipt	<u>1,695,898.95</u>	<u>0.00</u>
Total	<u>1,695,898.95</u>	<u>0.00</u>

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

<u>Item</u>	<u>2018.06.30</u>				<u>Book value</u>
	<u>Book balance</u>		<u>Bad debt provision</u>		
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
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:	<u>26,625,955.10</u>	<u>92.25</u>	<u>1,812,325.16</u>	<u>6.81</u>	<u>24,813,629.94</u>
Including: Portfolio by age	26,423,328.53	91.55	1,812,325.16	6.86	24,611,003.37
Portfolio by related parties	202,626.57	0.70	0.00	0.00	202,626.57
Other accounts receivable of individually insignificance subject to individually assessment for impairment	<u>2,238,320.30</u>	<u>7.75</u>	<u>0.00</u>	<u>0.00</u>	<u>2,238,320.30</u>
Total	<u>28,864,275.40</u>	<u>100.00</u>	<u>1,812,325.16</u>	<u>6.28</u>	<u>27,051,950.24</u>

(Continued)

<u>Item</u>	<u>2017.12.31</u>				
	<u>Book balance</u>		<u>Bad debt provision</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Other accounts receivable of individual significance subject to individually assessment for impairment					
Other accounts receivable portfolio subject to impairment by credit risk:					
Including: Portfolio by age	34,239,603.90	92.55	1,677,945.42	4.90	32,561,658.48
Portfolio by related parties	33,999,567.58	91.90	1,677,945.42	4.94	32,321,622.16
Other accounts receivable of individually insignificance subject to individually assessment for impairment	240,036.32	0.65			240,036.32
	<u>2,757,066.12</u>	<u>7.45</u>	<u>0.00</u>	<u>0.00</u>	<u>2,757,066.12</u>
Total	<u>36,996,670.02</u>	<u>100.00</u>	<u>1,677,945.42</u>	<u>4.54</u>	<u>35,318,724.60</u>

① Other receivable of individually insignificance subject to individually assessment for impairment at the period-end

<u>Items</u>	<u>Book balance</u>	<u>Withdrawal proportion (%)</u>	<u>Bad debt provision</u>	<u>Withdrawal reason</u>
China Export & Credit Insurance Corporation, Fujian Branch	648,450.00			Guaranteed deposits, absence of impairment
Longhai People's Court	625,513.00			Guaranteed deposits, absence of impairment
Zhangzhou Intermediate People's Court	565,000.00			Guaranteed deposits, absence of impairment
Guangzhou Intellectual Property Court	200,000.00			Guaranteed deposits, absence of impairment
Alipay (China) Network Technology Co., Ltd.	50,000.00			Guaranteed deposits, absence of impairment
Alipay of Flagship Store of Xiamen Tsannkuen	50,000.00			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
Shunhe Trading Co., Ltd.	19,095.24			Guaranteed deposits, absence of impairment
Gome Online E-Commerce Co., Ltd.	10,000.00			Guaranteed deposits, absence of impairment
Others	<u>10,262.06</u>			Guaranteed deposits, absence of impairment
Total	<u>2,238,320.30</u>	<u>0.00</u>	<u>0.00</u>	

② In the groups, other accounts receivable adopting aging analysis method for measurement of allowance for bad debt:

<u>Aging</u>	<u>2018.06.30</u>		
	<u>Other accounts receivable</u>	<u>Bad debt provision</u>	<u>Proportion (%)</u>
Within 1 year	24,745,301.12	134,297.75	0.54
Including: 1-90 days	24,098,949.38	0.00	0.00
91-180 days	383,634.54	38,363.45	10.00
181-270 days	177,121.52	53,136.46	30.00
271-365 days	85,595.68	42,797.84	50.00
1-2years	1,673,027.41	1,673,027.41	100.00
2 to 3 years	5,000.00	5,000.00	100.00
Over 3 years	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>26,423,328.53</u>	<u>1,812,325.16</u>	<u>6.86</u>

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

The amount of allowance for bad debts recognised during the Reporting Period is RMB147,581.74; the amount of recovered allowance for bad debts during the Reporting Period is of RMB13,202.

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

(4) Details of top five other receivables

<u>Items</u>	<u>Nature of OR</u>	<u>Closing balance</u>	<u>Aging</u>	<u>% of total</u>	<u>Closing balance of bad debt provision</u>
State Administration of Taxation of Zhangzhou Longchi Development Zone, Fujian	Export tax refunds	14,119,516.57	0-90 days	48.92	0.00
Zhangzhou Xincheng Metal Products Co., Ltd.	Rental & water & electricity fees	1,269,443.28	0-90 days	4.40	0.00
Shanghai Tanghai Investment Co., Ltd.	Rental & water & electricity fees	1,238,148.47	Over 1 years	4.29	1,238,148.47
Longhai People's Court	Attachment	891,043.00	0-over 1years	3.09	0.00
State Grid Fujian Longhai Power Supply Co., Ltd.	Electricity fees	<u>717,327.44</u>	0-90 days	<u>2.48</u>	<u>0.00</u>
Total		<u>18,235,478.76</u>		<u>63.18</u>	<u>1,238,148.47</u>

7. Inventory

(1) Disclosure by classification

<u>Item</u>	<u>2018.06.30</u>		
	<u>Book balance</u>	<u>Impairment allowance</u>	<u>Book value</u>
Raw materials	119,382,752.55	27,848,923.82	91,533,828.73
Goods in process	22,739,841.76	0.00	22,739,841.76
Entrusted processing materials	6,034,840.27	0.00	6,034,840.27
Self-manufactured semi-finished goods	17,431,323.36	1,133,845.14	16,297,478.22
Finished goods	87,474,433.53	8,290,670.42	79,183,763.11
Consigned finished goods	8,612,349.72	0.00	8,612,349.72
Low-value consumables	1,579,308.20	0.00	1,579,308.20

<u>Item</u>	<u>2018.06.30</u>		
	<u>Book balance</u>	<u>Impairment allowance</u>	<u>Book value</u>
Materials in transit	<u>2,875,633.20</u>	<u>0.00</u>	<u>2,875,633.20</u>
Total	<u>266,130,482.59</u>	<u>37,273,439.38</u>	<u>228,857,043.21</u>

(Continued)

<u>Item</u>	<u>2017.12.31</u>		
	<u>Book balance</u>	<u>Impairment allowance</u>	<u>Book value</u>
Raw materials	91,556,442.22	29,307,728.29	62,248,713.93
Goods in process	14,542,696.83	0.00	14,542,696.83
Entrusted processing materials	2,596,673.00	0.00	2,596,673.00
Self-manufactured semi-finished goods	16,901,263.40	1,246,838.74	15,654,424.66
Finished goods	86,380,339.44	5,608,126.31	80,772,213.13
Consigned finished goods	14,253,812.21	0.00	14,253,812.21
Low-value consumables	1,872,537.93	0.00	1,872,537.93
Materials in transit	<u>3,770,433.60</u>	<u>0.00</u>	<u>3,770,433.60</u>
Total	<u>231,874,198.63</u>	<u>36,162,693.34</u>	<u>195,711,505.29</u>

(2) Impairment allowance for inventories

<u>Item</u>	<u>2017.12.31</u>	<u>Increased amount</u>		<u>Decrease</u>		<u>2018.06.30</u>
		<u>Withdrawal</u>	<u>Affected by exchange rate</u>	<u>Reverse or write-off</u>	<u>Affected by exchange rate</u>	
Raw materials	29,307,728.29	2,662,955.21	0.00	4,135,149.16	-13,389.48	27,848,923.82
Self-manufactured semi-finished goods	1,246,838.74	269,239.24	0.00	382,232.84	0.00	1,133,845.14
Finished goods	<u>5,608,126.31</u>	<u>3,795,629.41</u>	<u>0.00</u>	<u>1,113,085.30</u>	<u>0.00</u>	<u>8,290,670.42</u>
Total	<u>36,162,693.34</u>	<u>6,727,823.86</u>	<u>0.00</u>	<u>5,630,467.30</u>	<u>-13,389.48</u>	<u>37,273,439.38</u>

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

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

8. Other current assets

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Input tax to be deducted	7,710,035.73	11,205,884.70
Financial products	370,000,000.00	400,000,000.00
Advance payment of income tax	<u>0.00</u>	<u>1,913,786.44</u>
Total	<u>377,710,035.73</u>	<u>413,119,671.14</u>

9. Available-for-sale financial assets

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

<u>Item</u>	<u>2018.06.30</u>			<u>2017.12.31</u>		
	<u>Book balance</u>	<u>Depreciation reserves</u>	<u>Book value</u>	<u>Book balance</u>	<u>Depreciation reserves</u>	<u>Book value</u>
Available for sale equity instruments	40,000.00		40,000.00	40,000.00		40,000.00
Including: measured by cost	<u>40,000.00</u>		<u>40,000.00</u>	<u>40,000.00</u>		<u>40,000.00</u>
Total	<u>40,000.00</u>		<u>40,000.00</u>	<u>40,000.00</u>		<u>40,000.00</u>

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

<u>Investee</u>	<u>Book balance</u>			<u>Depreciation reserves</u>			<u>Shareholding proportion among the investee s(%)</u>	<u>Cash bonus of the Reporting Period</u>
	<u>2018.01.01</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>	<u>2018.01.01</u>	<u>Increase</u>		
Xiamen Association of Enterprises with Foreign Investment	<u>40,000.00</u>			<u>40,000.00</u>				1.48
Total	<u>40,000.00</u>			<u>40,000.00</u>				<u>1.48</u>

10. Investment property

(1) Investment property adopted the cost measurement mode

<u>Item</u>	<u>Houses and buildings</u>	<u>Land use right</u>	<u>Construction in progress</u>	<u>Total</u>
I. Original book value				
1. Opening balance	97,887,590.91	29,260,577.51	0.00	127,148,168.42
2. Increased amount of the period	0.00	0.00	0.00	0.00
(1) Outsourcing	0.00	0.00	0.00	0.00
(2) Transferred from inventories/fixed assets/construction in progress	0.00	0.00	0.00	0.00
(3) Proceeds from business combinations	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
(2) Investment property transferred into fixed assets	0.00	0.00	0.00	0.00
4. Closing balance	97,887,590.91	29,260,577.51	0.00	127,148,168.42
II. Accumulated Depreciation and accumulated amortization				
1. Opening balance	81,364,789.99	13,657,969.92	0.00	95,022,759.91
2. Increased amount of the period	1,433,386.35	276,312.36	0.00	1,709,698.71
(1) Withdrawal or amortization	1,433,386.35	276,312.36	0.00	1,709,698.71
(2) Transferred from fixed assets	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00

Item	<u>Houses and buildings</u>	<u>Land use right</u>	<u>Construction in progress</u>	<u>Total</u>
(1) Disposal	0.00	0.00	0.00	0.00
(2) Investment property transferred into fixed assets	0.00	0.00	0.00	0.00
4. Closing balance	82,798,176.34	13,934,282.28	0.00	96,732,458.62
III. Depreciation reserves				
1. Opening balance	0.00	0.00	0.00	0.00
2. Increased amount of the period	0.00	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
(2) Other transferred out	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00	0.00
IV. Book value				
1. Closing book value	<u>15,089,414.57</u>	<u>15,326,295.23</u>	<u>0.00</u>	<u>30,415,709.80</u>
2. Opening book value	<u>16,522,800.92</u>	<u>15,602,607.59</u>	<u>0.00</u>	<u>32,125,408.51</u>

(2) Investment property with pending ownership registration

Item	<u>Book value</u>	<u>Reason for pending</u>
Lvyuan three country villa	1,416,505.44	

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.

11. Fixed assets

(1) List of fixed assets

Item	<u>Houses and buildings</u>	<u>Machinery equipment</u>	<u>Electronic device, modules and others</u>	<u>Transportation equipment</u>	<u>Improvement expense of leased fixed assets</u>	<u>Total</u>
I. Original book value						
1. Opening balance	91,979,314.65	138,265,237.18	975,642,609.48	18,088,145.19	66,001,091.14	1,289,976,397.64
2. Increased amount of the period	320,672.68	4,392,661.66	15,559,456.69	1,037,022.22	76,046.94	21,385,860.19
(1) Purchase	0.00	4,035,733.48	15,296,836.49	1,106,611.64	0.00	20,439,181.61
(2) Transferred from project under construction	0.00	0.00	0.00	0.00	0.00	0.00
(3) Transfer from investment property	0.00	0.00	0.00	0.00	0.00	0.00
(4) Impact of changes in exchange rates	320,672.68	356,928.18	262,620.20	-69,589.42	76,046.94	946,678.58
(5) Other	0.00	0.00	0.00	0.00	0.00	0.00
3. Decreased	8,795.46	2,839,599.92	26,117,107.24	19,578.19	0.00	28,985,080.81

Item	<u>Houses and buildings</u>	<u>Machinery equipment</u>	<u>Electronic device, modules and others</u>	<u>Transportation equipment</u>	<u>Improvement expense of leased fixed assets</u>	<u>Total</u>
amount of the period						
(1) Disposal or Scrap	8,795.46	2,839,599.92	26,117,107.24	19,578.19	0.00	28,985,080.81
(2) Transferred from investment property	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	92,291,191.87	139,818,298.92	965,084,958.93	19,105,589.22	66,077,138.08	1,282,377,177.02
II. Accumulative depreciation						
1. Opening balance	47,947,486.73	83,327,368.17	870,728,389.83	14,043,317.72	62,308,483.21	1,078,355,045.66
2. Increased amount of the period						
(1) Withdrawal	1,971,886.60	3,059,078.07	14,027,826.29	452,551.70	992,122.93	20,503,465.59
(2) Transferred from investment property	1,874,561.11	2,906,832.64	13,865,647.85	463,574.39	920,365.98	20,030,981.97
(3) Impact of changes in exchange rates	0.00	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period						
(1) Disposal or Scrap	97,325.49	152,245.43	162,178.44	-11,022.69	71,756.95	472,483.62
(2) Transfer from investment property	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	0.00	2,442,542.82	23,103,743.17	19,578.19	0.00	25,565,864.18
III. Depreciation reserves						
1. Opening balance	0.00	18,704,200.64	19,523,524.20	4,933.21	27,381.88	38,260,039.93
2. Increased amount of the period						
(1) Withdrawal	0.00	19,343.14	3,197.55	62.17	0.00	22,602.86
(2) Impact of changes in exchange rates	0.00	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period						
(1) Disposal or Scrap	0.00	19,343.14	3,197.55	62.17	0.00	22,602.86
4. Closing balance	0.00	100,132.68	2,684,264.95	0.00	0.00	2,784,397.63
IV. Book value						
1. Closing book value	42,371,818.54	37,250,984.40	86,590,029.18	4,624,302.61	2,749,150.06	173,586,284.79
2. Opening book value	44,031,827.92	36,233,668.37	85,390,695.45	4,039,894.26	3,665,226.05	173,361,312.05

(2) Fixed assets with pending ownership registration

<u>Item</u>	<u>Book value</u>	<u>Reason for pending</u>
Lvyuan three country villa	424,951.63	
Jingying garden	165,626.24	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.

(3) Temporarily idle fixed assets

<u>Item</u>	<u>Book value</u>	<u>Accumulated depreciat ion</u>	<u>Depreciation reser ves</u>	<u>Book value</u>
Machinery equipment	44,375,783.65	27,391,883.37	16,865,668.87	118,231.41
Electronic device modules and others	224,774,496.29	214,412,244.05	10,324,755.88	37,496.36
Transportation equipment	208,800.00	208,800.00	0.00	0.00
Improvement expense of leased fixed assets	<u>999,659.75</u>	<u>972,277.87</u>	<u>27,381.88</u>	<u>0.00</u>
Total	<u>270,358,739.69</u>	<u>242,985,205.29</u>	<u>27,217,806.63</u>	<u>155,727.77</u>

12. Construction in progress

<u>Item</u>	<u>Book balance</u>	<u>2018.06.30</u>	<u>Book value</u>	<u>Book balance</u>	<u>2017.12.31</u>	<u>Book value</u>
		<u>Depreciation reserves</u>			<u>Depreciation reserves</u>	
Sporadic project	2,899,399.16	0.00	2,899,399.16	2,059,623.18	0.00	2,059,623.18
Others	<u>97,092.06</u>	<u>0.00</u>	<u>97,092.06</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>2,996,491.22</u>	<u>0.00</u>	<u>2,996,491.22</u>	<u>2,059,623.18</u>	<u>0.00</u>	<u>2,059,623.18</u>

13. Intangible assets

<u>Item</u>	<u>Land use right</u>	<u>Software</u>	<u>Total</u>
I. Original book value			
1. Opening balance	17,799,360.55	33,444,519.91	51,243,880.46
2. Increased amount of the period	0.00	1,313,815.02	1,313,815.02
(1) Purchase	0.00	1,313,815.02	1,313,815.02
(2) Impact of changes in exchange rates	0.00	0.00	0.00
3. Decreased amount of the period	295,108.59	0.00	295,108.59
(1) Disposal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	295,108.59	0.00	295,108.59
4. Closing balance	17,504,251.96	34,758,334.93	52,262,586.89
II. Accumulated amortization			
1. Opening balance	2,969,634.07	18,772,857.38	21,742,491.45
2. Increased amount of the period	336,691.09	2,090,932.90	2,427,623.99
(1) Withdrawal	279,655.12	2,090,932.90	2,370,588.02
(2) Impact of changes in exchange rates	57,035.97	0.00	57,035.97
3. Decreased amount of the period	31,811.95	0.00	31,811.95
(1) Disposal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	31,811.95	0.00	31,811.95

<u>Item</u>	<u>Land use right</u>	<u>Software</u>	<u>Total</u>
4.Closing balance	3,274,513.21	20,863,790.28	24,138,303.49
III. Depreciation reserves			
1.Opening balance			0.00
2. Increased amount of the period	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	0.00	0.00
3.Decreased amount of the period	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00
(2) Impact of changes in exchange rates	0.00	0.00	0.00
4.Closing balance	0.00	0.00	0.00
IV. Book value			
1. Closing book value	<u>14,229,738.75</u>	<u>13,894,544.65</u>	<u>28,124,283.40</u>
2. Opening book value	<u>14,829,726.48</u>	<u>14,671,662.53</u>	<u>29,501,389.01</u>

14. Long-term deferred charge

<u>Item</u>	<u>2017.12.31</u>	<u>Increased amount</u>	<u>Amortization amount</u>	<u>Decrease</u>	<u>2018.06.30</u>
Telecommunications engineering	18,932.97	0.00	14,533.16	0.00	4,399.81
Houses and buildings renovation expenses	4,077,187.92	4,715,601.69	1,014,785.71	0.00	7,778,003.90
Phase III Wall Project	292,127.53	0.00	35,014.94	0.00	257,112.59
Software	0.00	<u>58,867.92</u>	<u>1,635.22</u>	0.00	<u>57,232.70</u>
Total	<u>4,388,248.42</u>	<u>4,774,469.61</u>	<u>1,065,969.03</u>	<u>0.00</u>	<u>8,096,749.00</u>

15. Deferred income tax assets/deferred income tax liabilities**(1) Deferred income tax assets had not been off-set**

<u>Item</u>	<u>2018.06.30</u>		<u>2017.12.31</u>	
	<u>Deductible temporary difference</u>	<u>Deferred income tax assets</u>	<u>Deductible temporary difference</u>	<u>Deferred income tax assets</u>
Assets impairment provision	72,098,480.87	11,182,632.91	75,021,501.16	11,604,071.98
Accrued expenses	9,108,087.10	1,577,556.47	10,687,842.77	1,859,681.61
Transaction financial liabilities	6,008,550.00	901,282.50		
Payroll liability			236,457.93	40,197.85
Unrealized profits from intergroup transactions	763,463.84	190,865.96	812,548.04	203,137.01
Undistributed deficit	35,896,354.04	8,974,088.51	35,896,354.02	8,974,088.51
Other	<u>241,923.53</u>	<u>41,127.00</u>	<u>7,683.59</u>	<u>1,306.21</u>
Total	<u>124,116,859.38</u>	<u>22,867,553.35</u>	<u>122,662,387.51</u>	<u>22,682,483.17</u>

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

<u>Item</u>	<u>2018.06.30</u>		<u>2017.12.31</u>	
	<u>Deductible temporary difference</u>	<u>Deferred income tax liabilities</u>	<u>Deductible temporary difference</u>	<u>Deferred income tax liabilities</u>
Trading financial assets			3,925,850.00	588,877.50
Depreciation of fixed assets	3,821,490.52	955,372.63	3,311,438.01	827,859.50
Other	<u>86,081.59</u>	<u>14,633.87</u>	<u>86,871.08</u>	<u>14,768.08</u>
Total	<u>3,907,572.11</u>	<u>970,006.50</u>	<u>7,324,159.09</u>	<u>1,431,505.08</u>

(3) List of unrecognized deferred income tax assets

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Assets impairment provision	12,307,606.32	13,238,136.21
Accrued expenses	31,515,237.37	20,520,490.27
Payroll liability	1,658,362.49	1,842,179.97
Undistributed deficit	<u>122,029,314.49</u>	<u>96,571,791.11</u>
Total	<u>167,510,520.67</u>	<u>132,172,597.56</u>

Notes: For the uncertainty of sufficient taxable income obtained in the future, the above was not recognized as deductible temporary difference and deductible loss of deferred income tax assets.

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

<u>Year</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Year 2018	5,695,586.47	15,995,805.21
Year 2019	526,972.07	12,504,247.51
Year 2020	3,140,105.62	14,123,000.61
Year 2021	42,927,755.28	21,145,780.79
Year 2022	12,844,701.98	8,186,639.77
Year 2023-2029	<u>56,894,193.07</u>	<u>24,616,317.22</u>
Total	<u>122,029,314.49</u>	<u>96,571,791.11</u>

Notes: The period for covering the annual loss generated by Tsannkuen Edge Intelligence Co., Ltd. (hereafter, TKEI) can be extended for no more than ten years.

16. Other non-current assets

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Prepaid mold fee	1,596,234.94	877,801.58
Prepayment for equipment	<u>20,932,441.93</u>	<u>20,338,977.00</u>
Total	<u>22,528,676.87</u>	<u>21,216,778.58</u>

17. Short-term borrowings

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Borrowings on security	17,909,899.30	0.00
Borrowings on credit	<u>0.00</u>	<u>10,832,951.89</u>
Total	<u>17,909,899.30</u>	<u>10,832,951.89</u>

18. Financial liabilities measured by fair value with changes in fair value recognised in profit or loss

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Trading financial liabilities	6,008,550.00	0.00
Including: derivative financial liabilities	<u>6,008,550.00</u>	<u>0.00</u>
Total	<u>6,008,550.00</u>	<u>0.00</u>

19. Notes payable

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Bank acceptance bill	8,588,180.81	12,222,252.77
Trade acceptance	<u>11,354,266.32</u>	<u>7,801,896.38</u>
Total	<u>19,942,447.13</u>	<u>20,024,149.15</u>

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

20. Accounts payable

(1) List of accounts payable

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Within 1 year	430,495,104.76	580,224,062.25
Over 1 years	<u>1,994,519.16</u>	<u>3,316,167.11</u>
Total	<u>432,489,623.92</u>	<u>583,540,229.36</u>

(2) There were no significant accounts payable remaining unsettled for more than one year

21. Advance from customers

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Within 1 year	7,792,828.50	6,124,044.24
Over 1 years	<u>4,149,109.08</u>	<u>5,537,930.64</u>
Total	<u>11,941,937.58</u>	<u>11,661,974.88</u>

22. Employee benefits payable

(1) List of employee benefits payable

<u>Item</u>	<u>2017.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>
I. Short-term salary	43,979,234.64	117,500,919.56	123,226,554.35	38,253,599.85
II. Post-employment benefit-defined contribution plans	824,267.13	6,735,451.99	6,694,300.29	865,418.83
III. Termination benefits		45,003.00	45,003.00	0.00
IV. Other benefits at maturity with one year	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>44,803,501.77</u>	<u>124,281,374.55</u>	<u>129,965,857.64</u>	<u>39,119,018.68</u>

(2) List of Short-term employee benefits

<u>Item</u>	<u>2017.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>
1. Salary, bonus, allowance, subsidy	31,332,745.77	104,179,621.33	110,918,340.24	24,594,026.86
2. Employee welfare	1,441.58	5,348,545.11	4,053,411.77	1,296,574.92
3. Social insurance	1,160,387.42	5,264,813.48	5,329,310.28	1,095,890.62
Including: Medical insurance	973,989.23	3,992,168.03	4,066,113.31	900,043.95
Employment injury insurance	136,753.13	1,028,332.00	1,016,696.82	148,388.31
Maternity insurance	49,645.06	244,313.45	246,500.15	47,458.36
4. Housing fund	9,273,252.85	2,759,429.48	2,551,693.32	9,480,989.01
5. Labor union budget and employee education budget		192,195.04	192,195.04	0.00
6. Short-term absence with payment	2,211,407.02	-243,684.88	181,603.70	1,786,118.44
7. Short-term profit sharing plan	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>43,979,234.64</u>	<u>117,500,919.56</u>	<u>123,226,554.35</u>	<u>38,253,599.85</u>

(3) List of defined contribution plan

<u>Item</u>	<u>2017.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>
1. Basic pension benefits	823,119.93	6,562,305.07	6,521,074.09	864,350.91
2. Unemployment insurance	1,147.20	173,146.92	173,226.20	1,067.92
3. Enterprise annuity payment	0.00	0.00	0.00	0.00
Total	<u>824,267.13</u>	<u>6,735,451.99</u>	<u>6,694,300.29</u>	<u>865,418.83</u>

The Company participates in the endowment insurance and unemployment insurance plan established by the government, according to these plans, the Company pays planned fees to the company location. In addition to the monthly fee deposit, the Company no longer bears further payment obligations. Corresponding expenses are expensed as incurred or costs related assets.

23. Taxes payable

<u>Category of taxes</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Real estate tax	741,854.33	833,651.47
Corporate income tax	175,869.56	
VAT	890,243.91	
Personal income tax	650,033.34	516,590.25
Education Surcharge	658,546.93	692,945.25
Urban maintenance and construction tax	643,322.80	677,699.31
Others	<u>914,898.29</u>	<u>103,835.37</u>
Total	<u>4,674,769.16</u>	<u>2,824,721.65</u>

24. Interest payable

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
<u>Interests on short-term borrowings</u>	<u>9,957.32</u>	<u>1,448.76</u>
Total	<u>9,957.32</u>	<u>1,448.76</u>

25. Other accounts payable

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

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Within 1 year	51,852,645.18	42,618,980.95
Over 1 years	<u>11,744,355.40</u>	<u>8,519,777.56</u>
Total	<u>63,597,000.58</u>	<u>51,138,758.51</u>

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

<u>Item</u>	<u>2018.06.30</u>	<u>Unpaid/ Un-carry-over reason</u>
Cash pledge	<u>10,463,608.00</u>	Repaid at the termination of contract
Total	<u>10,463,608.00</u>	

26. Long-term payroll payable

(1) List of long-term payroll payable

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
I. Post-employment benefit-net liability of defined benefit	<u>178,526.85</u>	<u>156,540.09</u>
Total	<u>178,526.85</u>	<u>156,540.09</u>

27. Specific Payables

<u>Item</u>	<u>2017.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>
Phase I removal compensation money of Shanghai TKS	<u>109,137,778.28</u>	<u>0.00</u>	<u>0.00</u>	<u>109,137,778.28</u>
Total	<u>109,137,778.28</u>	<u>0.00</u>	<u>0.00</u>	<u>109,137,778.28</u>

28. Share capital

<u>Item</u>	<u>2017.12.31</u>	<u>Increase/decrease</u>				<u>2018.06.30</u>
		<u>Issuing new shares</u>	<u>Share donation</u>	<u>Capitalization of public reserves</u>	<u>Other Subtotal</u>	
Total shares	185,391,680.00					185,391,680.00

29. Capital reserves

<u>Item</u>	<u>2017.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>
Share premium	210,045,659.80			210,045,659.80
Other capital reserves	<u>86,763,305.99</u>			<u>86,763,305.99</u>
Total	<u>296,808,965.79</u>	<u>0.00</u>	<u>0.00</u>	<u>296,808,965.79</u>

30. Other comprehensive income

<u>Item</u>	<u>Reporting Period</u>					<u>2018.06.30</u>	
	<u>2017.12.31</u>	<u>Amount before income tax in current period</u>	<u>Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period</u>	<u>Less: Income tax expense</u>	<u>Attributable to owners of the Company after tax</u>		<u>Attributable to minority shareholders after tax</u>
I. Other comprehensive income that will not be reclassified into profit/loss	53,821.50					53,821.50	
Including: changes in net liabilities or assets with a defined benefit plan upon remeasurement	53,821.50					53,821.50	
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	4,565,999.37	-52,419.01			-39,314.26	-13,104.75	4,526,685.11
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	<u>4,565,999.37</u>	<u>-52,419.01</u>			<u>-39,314.26</u>	<u>-13,104.75</u>	<u>4,526,685.11</u>
Total	<u>4,619,820.87</u>	<u>-52,419.01</u>			<u>-39,314.26</u>	<u>-13,104.75</u>	<u>4,580,506.61</u>

31. Surplus reserves

<u>Item</u>	<u>2017.12.31</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018.06.30</u>
Statutory surplus reserves	33,888,636.90	0.00	0.00	33,888,636.90
Total	<u>33,888,636.90</u>	<u>0.00</u>	<u>0.00</u>	<u>33,888,636.90</u>

32. Retained earnings

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Opening balance of retained profits before adjustments	90,105,224.21	90,217,504.90
Total opening balance of retained profits before adjustments (Increase+, decrease-)		
Opening balance of retained profits after adjustments	90,105,224.21	90,217,504.90
Add: Net profit attributable to owners of the Company	-28,341,686.77	26,077,139.64
Less: Withdrawal of statutory surplus reserves	0.00	3,942,418.73
Withdrawal of discretionary surplus reserves	0.00	0.00
Withdrawal of generic risk reserve	0.00	0.00
Dividend of common stock payable	14,831,334.40	22,247,001.60
Dividend of common stock transfer into share capital	<u>0.00</u>	<u>0.00</u>
Closing retained profits	<u>46,932,203.04</u>	<u>90,105,224.21</u>

33. Revenue and cost of sales**(1) Revenue and cost of sales**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Revenue from main operations	658,944,365.34	840,312,489.24
Revenue from other operations	<u>32,566,139.89</u>	<u>29,371,269.44</u>
Total	<u>691,510,505.23</u>	<u>869,683,758.68</u>
Costs of main operations	613,781,412.65	723,287,830.92
Cost of other operations	<u>11,667,604.74</u>	<u>16,219,638.01</u>
Total	<u>625,449,017.39</u>	<u>739,507,468.93</u>

(2) Main operations (by industry)

<u>Item</u>	<u>Reporting Period</u>		<u>Same period of last year</u>	
	<u>Revenue</u>	<u>Cost of sales</u>	<u>Revenue</u>	<u>Cost of sales</u>
Manufacture home electronic appliance	<u>658,944,365.34</u>	<u>613,781,412.65</u>	<u>840,312,489.24</u>	<u>723,287,830.92</u>
Total	<u>658,944,365.34</u>	<u>613,781,412.65</u>	<u>840,312,489.24</u>	<u>723,287,830.92</u>

(3) Main operations (by product)

<u>Item</u>	<u>Reporting Period</u>		<u>Same period of last year</u>	
	<u>Revenue</u>	<u>Cost of sales</u>	<u>Revenue</u>	<u>Cost of sales</u>
Cooking	400,273,785.96	371,762,439.06	540,344,218.91	447,620,553.66
Household helper	164,940,858.72	159,587,268.54	224,015,274.54	210,893,707.03
Tea/coffee	84,387,695.78	79,103,482.40	73,801,696.03	63,193,074.09
Others	<u>9,342,024.88</u>	<u>3,328,222.65</u>	<u>2,151,299.76</u>	<u>1,580,496.14</u>
Total	<u>658,944,365.34</u>	<u>613,781,412.65</u>	<u>840,312,489.24</u>	<u>723,287,830.92</u>

(4) Main operations (by area)

<u>Area</u>	<u>Reporting Period</u>		<u>Same period of last year</u>	
	<u>Revenue</u>	<u>Cost of sales</u>	<u>Revenue</u>	<u>Cost of sales</u>
America	246,999,976.03	233,192,853.00	302,346,479.45	258,816,457.63
Europe	200,874,235.23	191,285,145.74	290,524,069.58	256,421,924.47
Asia	161,948,690.59	145,155,496.92	180,411,171.53	154,430,965.58
Australia	38,371,062.48	34,606,394.52	57,656,779.71	46,215,616.95
Africa	<u>10,750,401.01</u>	<u>9,541,522.47</u>	<u>9,373,988.97</u>	<u>7,402,866.29</u>
Total	<u>658,944,365.34</u>	<u>613,781,412.65</u>	<u>840,312,489.24</u>	<u>723,287,830.92</u>

(5) Revenues from the top 5 customers

<u>Period</u>	<u>Revenues from the top 5 customers</u>	<u>Proportion to the total revenues(%)</u>
Reporting Period	316,048,452.50	45.70
Same period of last year	<u>423,578,219.72</u>	<u>48.70</u>

34. Business tax and surcharges

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Education Surcharge	1,947,014.86	1,642,018.73
Urban maintenance and construction tax	1,969,352.57	1,657,297.65
Real estate tax	1,011,074.55	1,475,222.72
Land use tax	388,653.42	348,464.92
Stamp duty	375,368.80	572,220.24
Other	<u>70.74</u>	<u>139.35</u>
Total	<u>5,691,534.94</u>	<u>5,695,363.61</u>

Notes: The detailed payment standards for various business tax and surcharges were presented in Note V. Taxation.

35. Sales expenses

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Export fees	12,445,365.51	15,649,265.39
Employee remunerations	8,730,635.97	9,644,113.99
Claims for sales promotional expenses	-843,486.81	-3,212,402.85
Sales commission and after sales service fees	938,142.65	1,189,343.37
Assets lease expenses	193,079.70	192,646.13
Business travel charges	1,126,786.43	1,059,897.57
Advertising expenses for promotion	3,899,934.81	4,205,076.42
Office expenses	162,720.93	329,126.35
Transport fees	419,913.34	658,337.56
Others	<u>508,412.29</u>	<u>413,622.66</u>
Total	<u>27,581,504.82</u>	<u>30,129,026.59</u>

36. Administration expenses

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
R&D expenses	34,122,824.80	36,181,239.58
Employee remuneration	16,339,628.35	14,434,994.86
Depreciation and amortization	4,716,020.57	5,736,884.90
Rental charges	6,682,219.28	7,085,380.79
Insurance expenses	926,369.87	1,149,100.21

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Office expenses	742,909.31	1,093,362.53
Travel expenses	1,956,806.91	1,540,597.10
Consultant fees	1,742,392.73	2,003,820.15
Maintenance expenses	2,995,650.24	2,378,906.44
Others	4,414,931.58	3,178,472.37
Total	<u>74,639,753.64</u>	<u>74,782,758.93</u>

37. Financial costs

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Interest expenses	287,648.29	410,091.63
Less: interest income	4,483,457.96	3,529,133.78
Exchange gains and losses	2,505,899.01	11,511,175.66
Bank charges	458,468.88	792,248.01
Total	<u>-1,231,441.78</u>	<u>9,184,381.52</u>

38. Impairment loss on assets

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Bad debt loss	-1,904,490.44	-1,540,543.50
Impairment loss on inventories	6,727,823.86	1,604,983.07
Impairment loss on fixed assets	0.00	0.00
Total	<u>4,823,333.42</u>	<u>64,439.57</u>

39. Gains from changes in fair value

<u>Source of fair value change</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Financial assets measured by fair value and the changes be included in the current profits and losses	0.00	1,881,750.00
Of which, gains on the changes in the fair value of derivative financial instruments	0.00	1,881,750.00
Financial liabilities measured by fair value and the changes included in the current gains and losses	-9,934,400.00	0.00
Of which, gains on the changes in the fair value of derivative financial instruments	<u>-9,934,400.00</u>	<u>0.00</u>
Total	<u>-9,934,400.00</u>	<u>1,881,750.00</u>

40. Investment income

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Long-term equity investment income accounted by equity method	0.00	0.00
Investment income arising from disposal of long-term equity investments	0.00	0.00
Investment income received from financial assets measured by fair value and the changes be included in the current profits and losses during holding period	0.00	0.00
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during holding period	9,608,500.00	576,100.00
Investment income from financial products	268,400.98	1,148,630.14
Others	<u>0.00</u>	<u>0.00</u>
Total	<u>9,876,900.98</u>	<u>1,724,730.14</u>

41. Gains from disposal of assets

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Amount included in the current non-recurring gains and losses</u>
Gains from disposal of fixed assets	<u>376,183.60</u>	<u>318,516.72</u>	<u>376,183.60</u>
Total	<u>376,183.60</u>	<u>318,516.72</u>	<u>376,183.60</u>

42. Other income

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Amount included in the current non-recurring gains and losses</u>
Subsidy for export credit insurance	702,892.00	537,632.00	702,892.00
Patents subsidies	32,400.00	40,600.00	32,400.00
Subsidies for technological innovation	0.00	300,000.00	0.00
Subsidy for exhibition	25,000.00	10,000.00	25,000.00
Subsidy for online transactions in technology	108,800.00	0.00	108,800.00
Subsidy for R & D	<u>693,000.00</u>	<u>0.00</u>	<u>693,000.00</u>
Total	<u>1,562,092.00</u>	<u>888,232.00</u>	<u>1,562,092.00</u>

43. Non-operating income

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Amount included in the current non-recurring gains and losses</u>
Government subsidies	283,761.00	0.00	283,761.00
Unpayable overdue accounts payable	676,788.07	0.00	676,788.07
Income from B2B	379,395.43	307,800.00	379,395.43
Income transferred from advances for three years	0.00	844,169.97	0.00
Insurance claims	0.00	232,783.88	0.00
Others	<u>1,127,629.37</u>	<u>743,344.91</u>	<u>1,127,629.37</u>
Total	<u>2,467,573.87</u>	<u>2,128,098.76</u>	<u>2,467,573.87</u>

Of which, government subsidies included into the current gains and losses:

<u>Item</u>	<u>Reporting Period</u>	<u>Same Period of last year</u>	<u>Related to assets/related income</u>
Awards as government subsidies substituted for removal	<u>283,761.00</u>	<u>0.00</u>	Related to the income
Total	<u>283,761.00</u>	<u>0.00</u>	

44. Non-operating expenses

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>	<u>Amount included in the current non-recurring gains and losses</u>
Losses caused by damage and scrap of non-current assets	12,582.69	211,164.66	12,582.69
Fines	4,632.00	19,000.00	4,632.00
Donation	<u>20,000.00</u>	<u>50,000.00</u>	<u>20,000.00</u>
Total	<u>37,214.69</u>	<u>280,164.66</u>	<u>37,214.69</u>

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

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Current income tax expense	-377,202.20	-238,708.37
Deferred income tax expense	-661,307.31	3,654,776.13
Total	<u>-1,038,509.51</u>	<u>3,416,067.76</u>

(2) Reconciliation of account profit and income tax expenses

<u>Item</u>	<u>Reporting Period</u>
Total profits	-41,132,061.44
Current income tax expense accounted by tax and relevant regulations	-10,283,015.36
Impact of differing tax rates applicable to subsidiaries	3,970,255.26
Impact of adjustment for prior period tax expenses	-311,961.31
Impact of non-taxable income	-108,661.78
Impact of non-deductible costs, expenses and losses	332,317.41
Impact of utilisation of prior period deductible temporary differences and taxable temporary differences for which no deferred tax asset has been recognised	
Impact of current period deductible temporary differences and taxable temporary differences for which no deferred tax asset has been recognised	6,912,313.44
Adjustment of deferred tax assets and deferred tax liabilities brought forward due to changes in tax rates	
Impact of additional deduction for R&D expenses	-1,549,757.17
Income tax expense	<u>-1,038,509.51</u>

46. Other comprehensive income

See Note VI 30 for more details.

47. Cash flow statement**(1) Other cash received relevant to operating activities:**

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Government subsidies	1,845,853.00	888,232.00
Interest income	1,153,304.46	2,128,069.08
Rent income	27,398,244.83	25,168,728.17
Funds in current account and others	<u>152,329.42</u>	<u>3,528,917.06</u>
Total	<u>30,549,731.71</u>	<u>31,713,946.31</u>

(2) Other cash payments relating to operating activities

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Penalties and donations paid	0.00	69,000.00
Bank charges	429,816.67	791,760.75
Sales expenses and general and administrative expenses paid by cash	43,057,620.24	65,470,580.33
Fees for rent, water and electricity	<u>26,355,232.31</u>	<u>70,135,416.36</u>
Total	<u>69,842,669.22</u>	<u>136,466,757.44</u>

(3) Other cash received relevant to investment activities

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
To recover the maturity time deposits that for purpose to earn interest income in financial institutions	<u>246,417,500.00</u>	<u>42,313,208.55</u>
Total	<u>246,417,500.00</u>	<u>42,313,208.55</u>

(4) Other cash paid relevant to investment activities

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Deposits in financial institutions for the purpose of earning interest income	<u>435,917,500.00</u>	<u>377,386,926.35</u>
Total	<u>435,917,500.00</u>	<u>377,386,926.35</u>

(5) Other cash received relevant to financing activities

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Inter-bank lending of capital of related parties	<u>0.00</u>	<u>6,774,375.98</u>
Total	<u>0.00</u>	<u>6,774,375.98</u>

(6) There was no other cash paid relevant to financing activities**48. Supplementary information to the statement of cash flows****(1) Supplementary information to the statement of cash flows**

<u>Supplemental information</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	-40,093,551.93	13,565,414.73
Add: Provision for impairment of assets	4,823,333.42	64,439.57
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	21,740,680.68	21,306,844.24
Amortization of intangible assets	2,370,588.02	1,641,300.74
Long-term unamortized expenses	1,065,969.03	695,804.71
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-376,183.60	-318,516.72
Loss on retirement of fixed assets (gain presented by "-" prefix)	12,582.69	211,164.66
Losses from variation of fair value (gain presented by "-" prefix)	9,934,400.00	-1,881,750.00
Financial cost (gain presented by "-" prefix))	454,499.85	8,316,196.20
Investment loss (gain presented by "-" prefix)	-9,876,900.98	-1,724,730.14
Decrease in deferred income tax assets ((gain presented by "-" prefix)	-185,070.18	3,369,488.41
Increase in deferred income tax liabilities ("-" means decrease)	-461,498.58	264,711.57
Decrease in inventory (gain presented by "-" prefix)	-34,785,431.30	31,179,588.22
Decrease in accounts receivable from operating activities (gain presented by "-" prefix)	70,275,283.97	14,697,969.99
Increase in payables from operating activities ("-" means decrease)	-144,720,271.58	-148,899,222.14
Others		
Net cash flows generated from operating activities	-119,821,570.49	-57,511,295.96

2. Significant investing and financing activities involve no cash:

<u>Supplemental information</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
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	248,535,096.81	263,939,205.09
Less: cash at the beginning of the period	564,381,960.88	738,195,729.53
Add: Closing balance of cash equivalents		
Less: Cash at the beginning of the period		
Net increase in cash and cash equivalents	-315,846,864.07	-474,256,524.44

(2) Cash and cash equivalents

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
I. Cash	248,535,096.81	263,939,205.09
Including: Cash on hand	675,029.35	890,072.87
Bank deposit on demand	247,860,067.46	263,049,132.22
Other monetary funds on demand	0.00	0.00
Payable of due from central bank	0.00	0.00
Deposits in other banks	0.00	0.00
Call loans to banks	0.00	0.00
II. Cash and cash equivalents	0.00	0.00
Including: Debt instrument matured within three months	<u>0.00</u>	<u>0.00</u>
III. Closing balance of cash and cash equivalents	<u>248,535,096.81</u>	<u>263,939,205.09</u>

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 RMB189,500,000. Cash served as payment relating to investing activities in 2018 shall be listed and deducted from the balance of cash and cash equivalents at the period-end.

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

<u>Item</u>	<u>Closing foreign currency balance</u>	<u>Exchange rate</u>	<u>Closing convert to RMB balance</u>
Monetary capital			
Including: USD	12,507,859.10	6.6166	82,759,500.53
JPY	32,694,369.18	0.0599	1,958,850.43
IDR	2,548,755,894.76	0.0005	1,180,345.56
EUR	16,510.86	7.6515	126,332.84
GBP	9,519.60	8.6551	82,393.09
HKD	391,518.44	0.8431	330,089.20
HUF	81,016.00	0.0232	1,879.57
FRF	7.00	6.6546	46.58
TWD	<u>740,854.00</u>	<u>0.2170</u>	<u>160,757.91</u>
Total			<u>86,600,195.71</u>
Short-term loans			
Including: USD	1,719,692.79	6.6166	11,378,458.25
TWD	<u>30,100,000.00</u>	<u>0.2170</u>	<u>6,531,399.00</u>
Total			<u>17,909,857.25</u>
Account receivable			
Including: USD	33,534,668.11	6.6166	221,885,485.02
IDR	364,717,289.00	0.0005	168,568.48
EUR	45,634.84	7.6515	349,174.98
JPY	<u>32,571,705.00</u>	<u>0.0599</u>	<u>1,951,501.13</u>
Total			<u>224,354,729.61</u>
Account payable			
Including: USD	11,636,161.90	6.6166	76,991,828.83
EUR	472,249.76	7.6515	3,613,419.04
HKD	579,212.94	0.8431	488,334.43
JPY	7,672,600.66	0.0599	459,696.20
IDR	1,181,987,641.32	0.0005	546,302.20
TWD	<u>6,517,284.00</u>	<u>0.2170</u>	<u>1,414,185.46</u>
Total			<u>83,513,766.16</u>
Other account receivable			
Including: USD	99,672.65	6.6166	659,494.06
IDR	1,293,852,917.00	0.0005	598,005.15
TWD	<u>1,267,017.00</u>	<u>0.2170</u>	<u>274,930.02</u>
Total			<u>1,532,429.23</u>
Other account payable			
Including: HKD	75,736.07	0.8431	63,853.08
JPY	540,300.00	0.0599	32,371.53
USD	845,515.80	6.6166	5,594,439.84
EUR	1,180.00	7.6515	9,028.77
IDR	837,872,704.42	0.0005	387,255.90
TWD	<u>1,248,736.00</u>	<u>0.2170</u>	<u>270,963.22</u>
Total			<u>6,357,912.34</u>

(2) Description of overseas operating entities

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 dollars by usual purchases and sales, so that it adopt the US dollars as its functional currency.

50. Changes of scope of consolidation financial statements

1. Changes of scope of consolidation financial statements for other reasons

On 15 June 2018, the Company's majority-owned subsidiary Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. newly set up a sub-subsidiary Tsann Kuen (Zhangzhou) Investment Co., Ltd. From the date of establishment on, Tsann Kuen (Zhangzhou) Investment Co., Ltd. has been included in the scope of consolidation financial statements.

VII. 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	75.00	75.00	Acquired through incorporation
TsannKuen (Shanghai) Enterprise Co., Ltd.	Shanghai	Shanghai	Manufacture home electronic appliance	46.875	62.50	Acquired through business combination under common control
TsannKuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. (TKN)	Zhangzhou	Zhangzhou	Manufacture home electronic appliance	56.25	75.00	Acquired through incorporation
Shanghai Canxing Trading Co., Ltd (STD)	Shanghai	Shanghai	Sale of home appliance	56.25	100.00	Acquired through incorporation
Xiamen Tsannkuen Home Appliance Design Co., Ltd. ("TKCD")	Xiamen	Xiamen	Design of home appliance	100.00	100.00	Acquired through incorporation
East Sino Development Limited. (East Sino)	Hong Kong	Hong Kong	Investment, Trading	75.00	100.00	Acquired through business combination under common control
Pt.Star Indonesia(SCI) Comgistic	Indonesia	Indonesia	Manufacture home electronic appliance	75.00	100.00	Acquired through business combination under common control

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Acquired method
				Directly	Indirectly	
Pt.Star Comgistic Property Development Indonesia (“SCPI”)	Indonesia	Indonesia	Real estate development	75.00	100.00	Acquired through incorporation control
Orient Star Investments Limited (Orient Star Investments)	Hong Kong	Hong Kong	Investment, Trading	75.00	100.00	Acquired through business combination under uncontrol
Tsann Kuen Edge Intelligence Co., Ltd.	Taiwan	Taiwan	Industrial design	75.00	100.00	Acquired through business combination under common control
Tsann Kuen (Zhangzhou) Investment Co., Ltd.	Zhangzhou	Zhangzhou	Investment	75.00	100.00	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 period-end
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	25	-7,955,597.42	11,182,518.60	303,065,723.89
TsannKuen (Shanghai) Enterprise Co., Ltd.	53.125	-657,974.61		42,301,519.10
Tsann Kuen Edge Intelligence Co., Ltd.	25	-1,021,292.54		-361,746.76
Pt.Star Comgistic Indonesia(SCI)	25	-2,040,161.98		19,818,197.70

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

Name of subsidiaries	2018.6.30					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	1,349,355,182.27	403,071,125.22	1,752,426,307.49	540,163,411.93	0.00	540,163,411.93
TsannKuen (Shanghai) Enterprise Co., Ltd.	177,954,770.92	13,194,410.39	191,149,181.31	2,385,014.13	109,137,778.28	111,522,792.41
Tsann Kuen Edge Intelligence Co., Ltd.	5,249,698.64	4,315,743.85	9,565,442.49	10,819,268.80	193,160.72	11,012,429.52
Pt.Star Comgistic Indonesia(SCI)	64,921,939.99	70,564,282.65	135,486,222.64	55,258,059.23	955,372.63	56,213,431.86

(Continued)

Name of subsidiaries	2017.12.31					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	1,569,688,493.26	396,137,339.10	1,965,825,832.36	676,421,595.20	588,877.50	677,010,472.70
TsannKuen (Shanghai) Enterprise Co., Ltd.	180,634,383.82	11,938,656.68	192,573,040.50	2,570,332.87	109,137,778.28	111,708,111.15
Pt.Star Comgistic Indonesia(SCI)	62,295,711.26	72,303,711.81	134,599,423.07	47,136,417.88	827,859.50	47,964,277.38
Tsann Kuen Edge Intelligence Co., Ltd.	4,755,678.58	4,784,549.74	9,540,228.32	6,683,867.35	171,308.17	6,855,175.52

<u>Name</u>	<u>Reporting Period</u>			
	<u>Operation revenue</u>	<u>Net profit</u>	<u>Total comprehensive income</u>	<u>Operating cash flow</u>
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	633,712,855.58	-31,822,389.67		-99,054,381.42
TsannKuen (Shanghai) Enterprise Co., Ltd.	460,356.27	-1,238,540.45		-2,584,983.96
Tsann Kuen Edge Intelligence Co., Ltd.	5,186,214.49	-4,085,170.16		-6,159,899.06
Pt.Star Comgistic Indonesia(SCI)	57,156,180.74	-8,160,647.89		5,372,765.23
<u>Name</u>	<u>Same period of last year</u>			
	<u>Operation revenue</u>	<u>Net profit</u>	<u>Total comprehensive income</u>	<u>Operating cash flow</u>
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	819,506,110.82	31,148,900.00		-41,034,228.98
TsannKuen (Shanghai) 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

2. The equity in joint ventures or associates

(1) Insignificant enterprise information of associates

<u>Company name</u>	<u>Place of registration</u>	<u>Nature of business</u>	<u>Registered capital</u>	<u>Paid capital</u>	<u>Shareholding (%)</u>		<u>Acquired method</u>
					<u>Direct</u>	<u>Indirect</u>	
Xiamen travel canxing (Xiamen) International Travel Service Co., Ltd.	Xiamen	Leasing and business services	RMB10 million	0.00	22.00	0.00	Acquired through incorporation

Note: Xiamen travel canxing(Xiamen)International Travel Service Co., Ltd., with no actual operation, has completed the cancellation process on 6 February 2018.

VIII. 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 sensitivity 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, the other main business activities of the Company used by RMB. On 30 June 2018, 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.

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Monetary capital	86,600,195.71	212,200,290.58
Account receivable	224,354,729.61	256,438,317.51
Other accounts receivable	1,532,429.23	2,715,037.60
Accounts payable	83,513,766.16	61,995,745.86
Other account payable	6,357,912.34	4,038,251.32

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. 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 2018.

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.

IX. Disclosure of the fair value

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

<u>Item</u>	<u>Fair value measurement items at level 1</u>	<u>Closing fair value</u>		<u>Total</u>
		<u>Fair value measurement items at level 2</u>	<u>Fair value measurement items at level 3</u>	
I. Consistent fair value measurement				
(I) 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				
Total assets of consistent fair value measurement				
(II) Trading financial liabilities				
Including: tradable bond issued				
Derivative financial liabilities	6,008,550.00			6,008,550.00
Others				
Total liabilities of consistent fair value measurement	6,008,550.00			6,008,550.00

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

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

XI. Related party and related transaction

1. Details of the parent

<u>Name of parent company</u>	<u>Registration place</u>	<u>Nature of business</u>	<u>Registered capital</u>	<u>Proportion of share held by parent company against the Company (%)</u>	<u>Proportion of voting rights owned by parent company against the Company (%)</u>
STAR COMGISTIC CAPITAL CO.,LTD.	Taiwan	Manufacture and sales electrical equipment	TWD 3,000,000,000.00	42.90	44.68

2. Subsidiaries of the Company

See Note VII.1 "The equity in subsidiaries".

3. Details of the Company's joint ventures and associates

See Note VII.3 Equity in joint ventures and associates.

4. Details of other related parties

<u>Name</u>	<u>Relationship</u>
Fillman Investment Limited	Shareholder
TsannKuen Japan Co., Ltd.	Same ultimate holding company
Thermaster Electronic (Xiamen) 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
Kuaisan Electric Business 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
Sino Global Development Ltd.	Under same actual controller
Starcomgistic Australia Pty Ltd	Same ultimate holding company

5. Transactions with related parties

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

① The situation of purchases goods

<u>Related party</u>	<u>Content</u>	<u>Reporting Period</u>	<u>The approval trade credit</u>	<u>Whether exceed trade credit or not</u>	<u>Same period of last year</u>
Thermaster Electronic (Xiamen) Ltd.	Purchase of goods	13,847,118.67	40,000,000.00	No	16,738,518.44
TsannKuen Enterprise Co., Ltd.	Purchase of goods	10,290.50	100,000.00	No	19,035.91
Gold Mine Chain Enterprise Co., Ltd.	Purchase of goods	1,513.82	50,000.00	No	392.98
STAR COMGISTIC CAPITAL CO.,LTD.	Purchase of goods	4,964.08	100,000.00	No	2,876.99
Kuaisan Electric Business Service Co., Ltd.	Purchase of goods	<u>643.50</u>	<u>30,000.00</u>	<u>No</u>	<u>0.00</u>
Total		<u>13,864,530.57</u>			<u>16,760,824.32</u>

② The situation of sells goods

<u>Related party</u>	<u>Content</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
STAR COMGISTIC CAPITAL CO.,LTD.	Sale of goods	5,762,835.97	7,922,076.14
TsannKuen Enterprise Co., Ltd.	Sale of goods	0.00	570.82
Gold Mine Chain Enterprise Co., Ltd.	Sale of goods	<u>0.00</u>	<u>85,749.96</u>
Total		<u>5,762,835.97</u>	<u>8,008,396.92</u>

(2) Information of related lease

① The Company is as the leasor

<u>Name of lessee</u>	<u>Category of leased assets</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	House property	<u>23,700.00</u>	<u>32,760.00</u>
Total		<u>23,700.00</u>	<u>32,760.00</u>

②The Company is as the lessee

<u>Name of lessor</u>	<u>Category of leased assets</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
STAR COMGISTIC CAPITAL CO.,LTD.	House property	<u>684,104.52</u>	<u>691,394.42</u>
Total		<u>684,104.52</u>	<u>691,394.42</u>

(3) Assets transfer, Debt restructuring between related parties

<u>Related party</u>	<u>Content</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Starcomgistic Australia Pty Ltd	Sale of fixed assets	0.00	17,664.40
TsannKuen Enterprise Co., Ltd.	Sale of fixed assets	0.00	0.00
STAR COMGISTIC CAPITAL CO.,LTD.	Sale of fixed assets	<u>8,844.00</u>	<u>0.00</u>
Total		<u>8,844.00</u>	<u>17,664.40</u>
TsannKuen Enterprise Co., Ltd.	Purchase of fixed assets	0.00	177,486.58
Kuaisan Electric Business Service Co., Ltd.	Purchase of fixed assets	0.00	36,433.06
Thermaster Electronic (Xiamen) Ltd.	Purchase of fixed assets	<u>12,820.51</u>	<u>12,820.51</u>
Total		<u>12,820.51</u>	<u>226,740.15</u>

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

<u>Related party</u>	<u>Content</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
STAR COMGISTIC CAPITAL CO.,LTD.	Borrowing capital	440,000.00	0.00
STAR COMGISTIC CAPITAL CO.,LTD.	Interest from inter-bank borrowing and lending	1,661.22	0.00
Sino Global Development Ltd.	Borrowing capital	0.00	6,774,375.98
Sino Global Development Ltd.	Interest from inter-bank borrowing and lending	0.00	115,259.48
Total		<u>441,661.22</u>	<u>6,889,635.46</u>

(5) Other related-party transactions

<u>Related party</u>	<u>Content</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Star International Travel Co., Ltd.	Receiving service	425,218.20	419,093.08
Kuaisan Electric Business Service Co., Ltd.	Receiving labor service	480.48	34,565.61
STAR COMGISTIC CAPITAL CO., LTD.	Receiving service	0.00	6,211.35
TsannKuen Enterprise Co., Ltd.	Offering labor service	<u>27,680.84</u>	<u>33,151.76</u>
Total		<u>453,379.52</u>	<u>493,021.80</u>

(6) Remunerations of key management personnel

Unit: RMB'0,000

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Remunerations of key management personnel	<u>102.62</u>	<u>109.65</u>
Total	<u>102.62</u>	<u>109.65</u>

6. Receivables and payables of related parties**(1) Receivables**

<u>Name of item</u>	<u>2018.06.30</u>		<u>2017.12.31</u>	
	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Book balance</u>	<u>Bad debt provision</u>
Accounts receivable:				
STAR COMGISTIC CAPITAL CO., LTD.	3,049,870.36		1,265,582.41	
Gold Mine Chain Enterprise Co., Ltd.	<u>0.00</u>		<u>0.00</u>	
Total	<u>3,049,870.36</u>	<u>0.00</u>	<u>1,265,582.41</u>	<u>0.00</u>
Other accounts receivable:				
TsannKuen Enterprise Co., Ltd.	0.00		5,723.50	
STAR COMGISTIC CAPITAL CO., LTD.	202,626.57		204,484.13	
Gold Mine Chain Enterprise Co., Ltd.	<u>0.00</u>		<u>29,828.69</u>	
Total	<u>202,626.57</u>	<u>0.00</u>	<u>240,036.32</u>	<u>0.00</u>

(2) Payables

<u>Name of item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Accounts payable:		
Thermaster Electronic (Xiamen) Ltd.	<u>6,492,182.34</u>	<u>9,004,478.45</u>
Total	<u>6,492,182.34</u>	<u>9,004,478.45</u>
Other account payable:		
WU WHA MA RESTAURANT MANAGEMENT CO., LTD. IN XIAMEN	23,776.60	23,776.60
TsannKuen Enterprise Co., Ltd.	71.61	915.96
STAR COMGISTIC CAPITAL CO., LTD.	468,710.10	29,259.30
Kuaisan Electric Business Service Co., Ltd.	497.56	0.00
Star International Travel Co., Ltd.	<u>51,962.06</u>	<u>0.00</u>
Total	<u>545,017.93</u>	<u>53,951.86</u>

XI. Commitments and contingency**1. Significant commitments****(1) Operating lease commitments**

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

Unit: RMB'0,000

<u>Item</u>	<u>2018.06.30</u>	<u>2017.12.31</u>
Minimum lease payments of irrevocable operating lease		
1 year after balance date	3,638.00	3,638.00
2 year after balance date	3,638.00	3,638.00
3 year after balance date	3,638.00	3,638.00
Future years	<u>118,228.00</u>	<u>120,047.00</u>
Total	<u>129,142.00</u>	<u>130,961.00</u>

2. Contingency

(1) As MTN Products, Inc. / Water Solutions (Hong Kong) Ltd ("MTN / WSL") did not pay the relevant payment in time and fulfill the order according to the contract, the subsidiary of the Company, TsannKuen (Zhangzhou) Enterprise Co., Ltd. submitted the indictment to the SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES on 23 November

2016 to sue MTN / WSL for payment of USD707,522.92 and USD1,402,940 for reserve losses, totaling USD2,110,462.92.

As of the reporting date, the case is still pending.

(2) 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 TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL), submitted the indictment on 23 November 2016 to Longhai City People's Court, requesting the payment of RMB2,499,658.4. On 12 January 2018, TKL received the first instance judgment from the court that Philips should pay RMB423,345.63 and overdue interest to TKL. TKL has filed an appeal. As of the reporting date, the case is still pending.

(3) TSANN KUEN (CHINA) ENTERPRISE CO., LTD. (therefore "TKC") and Tian Yuan (Xiamen) Asset Management Co., Ltd. (therefore "Tianyuan") signed the "Land Lease Contract (Northwest Corner)" and "Housing Lease Contract (North Building)" on 26 June 2013, signed the "Land Lease Contract (southeast corner)", "Housing Lease Contract (Huarong Road 23)" (part of the house) on 29 July 2013. TKC leased the part of the land and house on Xinglong Road 88 to Tianyuan for business activities, part of the site and housing leased to Tian Yuan company for business activities.

As Tianyuan did not pay the rent in accordance with the contract in time and unauthorized use of the leased property, TKC filed a lawsuit in Xiamen Huli District People's Court to pay the relevant rent. On 29 December 2015, People's Court of Huli District of Xiamen City ruled that the four cases will be merged. On 30 May 2017 People's Court of Huli District of Xiamen City made a ruling of first instance: It ruled that Tianyuan Company paid liquidated damages of overdue payment of the Company. Tianyuan company filed an appeal. As of the reporting date, the case is still pending.

(4) The subsidiary of the Company - TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL) signed the < Product Supply Agreement> with Xinda Electro mechanics Co., Ltd. (hereafter, Xinda) on 20 July 2009. The validity of the contract is from 1 July 2009 to 30 June 2012. Furthermore, on 1 January 2011, they signed the <TsannKuen(Zhangzhou) Enterprise Co., Ltd. 2011 ED Procurement Contract> and relevant <Special Arrangement Clauses>, and other agreements. According to those agreements, TKL should purchase products from Xinda. TKL rejected to pay for the purchase and terminated those agreements due to the poor quality products from Xinda. On 23 December 2011, Xinda lodged petition for civil litigation to the Intermediate People's Court of Zhangzhou for the order of Intermediate People's Court of Zhangzhou that TKL pay for purchase from Xinda amounting to USD 479,089.06 (RMB3,071,535.78) immediately together with the liquidated damages for delay payment and resume performance of the agreement (the value of the unperformed agreement amounting to USD 189,423.25).

On 8 January 2012, TKL lodged counterclaim to the Court claiming that due to unsatisfactory quality of goods supplied by Xinda, goods supplied by TKL had been returned from clients and orders cancelled, resulting in substantial financial loss and reputation damage suffered by the TKL. TKL therefore petitioned for the court order for relief of agreement and that Xinda shall pay to TKL liquidated damage amounting to RMB1 million together with financial loss amounting to RMB7.6216 million.

Intermediate People's Court of Zhangzhou made the judgment ([2012] ZMCZ No.8) on 15 August 2013 as follow:

a. TKL should pay goods payments amount USD479,089.06 to plaintiff Xinda within 15 days from the date on which the

judgment becomes effective, equivalent to RMB3,071,535.78.

b. Plaintiff Xinda and the third party BoLuo Lianyuan industry Co., Ltd. (hereafter Lianyuan) should jointly pay the liquidated damage for RMB1,233,399.70 to TKL within 15 days from the date on which the judgment becomes effective.

c. Unperformed 10 orders entered into by TKL, Xinda and Lianyuan are declared cancelled.

d. Reject other claims partitioned by the plaintiff Xinda.

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

Higher People's Court of Fujian Province made the final judgment on 15 December 2016 with the following verdict:

a. Verdict c,d,e from the first judgment remains unchanged.

b. Verdict a from the first judgment changed as: TKL should pay goods payments amount RMB2,375,547.92 Xinda within 15 days from the date on which the judgment becomes effective.

c. Verdict b from the first judgment changed as: Xinda and BoLuo Lianyuan industry Co., Ltd. Should jointly pay TKL the liquidated damage for RMB537,411.84 within 15 days from the date on which the judgment becomes effective.

The flawed motor supplied by Xinda and Lianyuan totaled 103,638, 23,035 of them was picked out in (2012)Zhangminchuzi Case No.8, the Company conducted another notary pick out on the remaining flawed motors during the second instance, totaled 80,603. TKL lodged petition for civil litigation on 18 January 2017, based on the judgments from (2012)Zhangminchuzi Case No.8, TKL asks for the order of that Xinda and Lianyuan return the corresponding goods payments of the 80,603 flawed motors, along with compensation for other losses caused by this.

Intermediate People's Court of Zhangzhou made the judgment (2017M06MC No. 110) on 11 June 2018 as follow:

a. The defendant Xinda and Lianyuan should jointly return the goods payments of 80603 motors amounting to RMB2,435,368.34 to the plaintiff TKL within 15 days from the date on which the judgment becomes effective.

b. The defendant Xinda and Lianyuan should jointly pay the labor cost of RMB873,107.3 generated from checking, disassembly and sorting of flawed motors and fees of RMB21,955 for preservation and notary of evidence and for photography and video recording, which totals RMB895,062.3. The litigation fee of RMB33,443 shall be jointly born by the two defendants. Xinda has filed an appeal. As of the Reporting Period, the case is still pending.

XII. Events after balance sheet date: None

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

1. Accounts receivable

(1) Accounts receivable classified by category

Item	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Withdrawal	
				proportion(%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00

Item	2018.06.30				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Withdrawal proportion(%)	
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	<u>18,184,974.05</u>	<u>100.00</u>	<u>528,492.16</u>	<u>2.91</u>	<u>17,656,481.89</u>
Portfolio by age	18,093,176.15	99.50	528,492.16	2.92	17,564,683.99
Related party group	91,797.90	0.50		0.00	91,797.90
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>18,184,974.05</u>	<u>100.00</u>	<u>528,492.16</u>	<u>2.91</u>	<u>17,656,481.89</u>

(Continued)

Item	2018.01.01				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Withdrawal proportion(%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	21,753,323.81	100.00	1,012,264.73	4.65	20,741,059.08
Portfolio by age	21,581,665.45	99.21	1,012,264.73	4.69	20,569,400.72
Related party group	171,658.36	0.79	0.00		171,658.36
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>
Total	<u>21,753,323.81</u>	<u>100.00</u>	<u>1,012,264.73</u>	<u>4.65</u>	<u>20,741,059.08</u>

(Continued)

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

Aging	2018.06.30		
	Amount	Bad debt provision	Proportion (%)
Within 1 year	18,076,930.66	512,246.67	2.83
Including: 1-90 days	14,248,138.33		0.00
91-180 days	3,287,253.11	328,725.31	10.00
181-270 days	436,241.22	130,872.36	30.00
271-365 days	105,298.00	52,649.00	50.00
1-2 years	10,600.00	10,600.00	100.00
2-3 years	<u>5,645.49</u>	<u>5,645.49</u>	<u>100.00</u>
Total	<u>18,093,176.15</u>	<u>528,492.16</u>	<u>2.92</u>

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

<u>Item</u>	<u>2018.06.30</u>		
	<u>Account receivable</u>	<u>Bad debt provision</u>	<u>Withdrawal proportion (%)</u>
Related party group	<u>91,797.90</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>91,797.90</u>	<u>0.00</u>	<u>0.00</u>

(2) Bad debt provision withdrawal, reversed or recovered in the Reporting Period

The amount of bad debt provision recovered in the Reporting Period was RMB483,772.57.

(3) Particulars of accounts receivable without actual verification during the Reporting Period

(4) Details of top five accounts receivable in closing balance

The total amount of top five accounts receivables in closing balance summarized by debtors as at the end of the Reporting Period is RMB18,092,331.15, accounting for 99.49% of the total closing balance of accounts receivable as at the end of the Reporting Period, the total corresponding closing balance of allowance for bad debts is RMB528,492.16.

2. Other accounts receivable

(1) Disclosure by classification

<u>Item</u>	<u>2018.06.30</u>				
	<u>Book balance</u>		<u>Bad debt provision</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Other accounts receivable with significant 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	2,301,311.69	92.93	33,339.10	1.45	2,267,972.59
Portfolio by age	414,095.53	16.72	33,339.10	8.05	380,756.43
Related party group	1,887,216.16	76.21	0.00	0.00	1,887,216.16
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	<u>175,000.00</u>	<u>7.07</u>	<u>0.00</u>	<u>0.00</u>	<u>175,000.00</u>
Total	<u>2,476,311.69</u>	<u>100.00</u>	<u>33,339.10</u>	<u>1.35</u>	<u>2,442,972.59</u>

(Continued)

<u>Item</u>	<u>2017.12.31</u>				
	<u>Book balance</u>		<u>Bad debt provision</u>		<u>Book value</u>
	<u>Amount</u>	<u>Proportion (%)</u>	<u>Amount</u>	<u>Withdrawal proportion (%)</u>	
Other accounts receivable with significant single amount for which bad debt provision separately accrued					
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	388,868.17	74.95	46,401.10	11.93	342,467.07
Portfolio by age					
Related party group					
Other accounts receivable with	<u>130,000.00</u>	<u>25.05</u>	<u>0.00</u>	<u>0.00</u>	<u>130,000.00</u>

Item	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
insignificant single amount for which bad debt provision separately accrued					
Total	<u>518,868.17</u>	<u>100.00</u>	<u>46,401.10</u>	<u>8.94</u>	<u>472,467.07</u>

(Continued)

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

Aging	2018.06.30		
	Other accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	382,711.43	1,955.00	0.51
Including: 1-90 days	363,761.43		0.00
91-180 days	18,800.00	1,880.00	10.00
181-270 days	0.00	0.00	0.00
271-365 days	150.00	75.00	50.00
1-2years	<u>31,384.10</u>	<u>31,384.10</u>	<u>100.00</u>
Total	<u>414,095.53</u>	<u>33,339.10</u>	<u>8.05</u>

(2) Bad debt provision withdrawal, reversed or recovered in the Reporting Period

The amount of recovered bad debt provision during the Reporting period was RMB13,062.00.

3. Long-term equity investment**(1) Long-term equity investment**

Item	2018.06.30			2017.12.31		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	<u>922,914,701.56</u>		<u>922,914,701.56</u>	<u>922,914,701.56</u>		<u>922,914,701.56</u>
Total	<u>922,914,701.56</u>		<u>922,914,701.56</u>	<u>922,914,701.56</u>		<u>922,914,701.56</u>

(2) Investment to the subsidiary

Investee	2017.12.31	Increase	Decrease	2018.06.30	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
TKL	921,914,701.56			921,914,701.56		
Xiamen Tsannkuen Home Appliance Design Co., Ltd.	<u>1,000,000.00</u>			<u>1,000,000.00</u>		
Total	<u>922,914,701.56</u>	<u>0.00</u>	<u>0.00</u>	<u>922,914,701.56</u>		

4. Revenues and operating costs

Item	Reporting Period		Same period of last year	
	Revenues	Operating costs	Revenues	Operating costs
Main operations	32,269,461.73	29,744,013.84	29,163,387.63	25,654,159.29
Other operations	<u>24,752,261.23</u>	<u>15,688,587.26</u>	<u>8,772,475.75</u>	<u>1,091,104.50</u>
Total	<u>57,021,722.96</u>	<u>45,432,601.10</u>	<u>37,935,863.38</u>	<u>26,745,263.79</u>

5. Investment income

<u>Item</u>	<u>Reporting Period</u>	<u>Same period of last year</u>
Long-term equity investment income accounted by cost method	<u>33,547,555.83</u>	<u>30,310,250.78</u>
Total	<u>33,547,555.83</u>	<u>30,310,250.78</u>

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

<u>Item</u>	<u>Amount</u>	<u>Explanation</u>
Gains or losses arising from disposal of non-current assets(including assets impairment withdrawn had been offset)	376,183.60	Mainly was gains from disposal of 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	1,845,853.00	
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		Mainly was the income from sale of forward foreign exchange contract investment, change in fair value, financial products and other current assets returns
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	-57,499.02	
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	2,146,598.18	
Project confirmed with the definition of non-recurring gains and losses and losses		
Less: Income tax effects	745,230.24	

<u>Item</u>	<u>Amount</u>	<u>Explanation</u>
Minority interests effects (after tax)	698,547.26	
Total	<u>2,867,358.26</u>	

Note: Extraordinary gains or losses event use “+” express revenue and income, “-” express loss and expenditure.

The Company recognised non-recurring categories of activities in accordance with the Explanatory Announcement regarding Information Disclosure by Publicly Listed Company No. 1 - Non-recurring Profit and Loss (Zhengjianhui Gonggao [2008] No.43).

2. Yield rate of net assets and earnings per share

<u>Profit as of Reporting Period</u>	<u>Weighted average yield rate of net assets%</u>	<u>EPS (Yuan/share)</u>	
		<u>EPS-basic</u>	<u>EPS-diluted</u>
Net profit attributable to common shareholders of the Company	-4.73	-0.15	-0.15
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	-5.22	-0.17	-0.17