TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

2023 Semi-annual Financial REPORT

(Unaudited)

August 2023

1. Consolidated Statement of Financial Position as at 30 June 2023

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan Currency: CNY**

Item	Note	2023-6-30	2022-12-31	Item	Note	2023-6-30	2022-12-31
Current assets:				**Current liabilities**			
Cash and cash equivalents	5.1	436,873,140.87	576,867,829.77	Short-term borrowings	5.17	21,732,664.00	
Held-for-trading financial assets	5.2	570,878,663.89	569,493,788.89	Held-for-trading financial liabilities	5.18	2,869,500.00	
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable	5.19	4,134,280.48	2,630,056.46
Accounts receivable	5.3	145,680,789.53	95,950,882.88	Accounts payable	5.20	335,789,553.42	398,955,150.23
Accounts receivable financing				Advances from customers	5.21	5,839,961.02	7,880,418.84
Advances to suppliers	5.4	2,516,447.40	4,050,633.59	Contract liabilities	5.22	19,103,643.04	21,522,608.04
Other receivables	5.5	13,483,847.76	15,425,312.61	Employee benefits payable	5.23	40,183,650.50	41,947,199.38
Including: Interests receivable				Taxes payable	5.24	35,330,825.89	39,426,557.19
Dividend receivable				Other payables	5.25	32,946,785.01	36,311,863.30
Inventories	5.6	160,997,393.37	180,065,428.49	Including: Interests payables			
Contract assets				Dividend payables			
Assets classified as held for sale				Liabilities classified as held for sale			
Non-current assets maturing within one year				Non-current liabilities maturing within one year	5.26	42,524,948.56	9,494,026.90
Other current assets	5.7	483,933,510.71	428,851,919.37	Other current liabilities			
Total current assets		**1,814,363,793.53**	**1,870,705,795.60**	**Total current liabilities**		**540,455,811.92**	**558,167,880.34**
Non-current assets:				**Non-current liabilities:**			
Debt investments				Long-term borrowings			
Other debt investments				Bonds payable			
Long-term receivables				Including: Preference share			
Long-term equity investments				Perpetual capital securities			
Other equity instrument investment	5.8	40,000.00	40,000.00	Lease liabilities	5.27	513,600,116.67	534,850,528.45

Item	Note	2023-6-30	2022-12-31	Item	Note	2023-6-30	2022-12-31
Other non-current financial assets				Long-term payables			
Investment properties	5.9	18,806,253.74	19,148,198.30	Long-term employee benefits payable			
Fixed assets	5.10	140,513,039.95	147,946,111.81	Estimated liabilities	5.28		480,930.00
Construction in progress	5.11	10,200,641.01	2,656,954.05	Deferred income			
Productive biological assets				Deferred tax liabilities	5.15	24,090,509.24	24,232,846.42
Oil and gas assets				Other non-current liabilities			
Right-of-use assets	5.12	516,485,804.72	525,637,136.84	**Total non-current liabilities**		**537,690,625.91**	**559,564,304.87**
Intangible assets	5.13	16,095,143.67	17,968,888.40	**Total liabilities**		**1,078,146,437.83**	**1,117,732,185.21**
Research and development expenditure				**Owners' equity**			
Goodwill				Share capital	5.29	185,391,680.00	185,391,680.00
Long-term deferred expenses	5.14	8,266,975.72	8,946,053.72	Other equity instruments			
Deferred tax assets	5.15	11,646,306.82	13,678,256.72	Including: Preference shares			
Other non-current assets	5.16	420,115.64	813,512.56	Perpetual capital securities			
Total non-current assets		**722,474,281.27**	**736,835,112.40**	Capital reserves	5.30	296,808,965.79	296,808,965.79
				Less: Treasury stock			
				Other comprehensive income	5.31	12,732,755.36	8,130,895.08
				Specific reserves			
				Surplus reserves	5.32	68,925,849.64	68,925,849.64
				Retained earnings	5.33	453,966,264.30	481,265,907.40
				Total owner's equity attributable to parent company		1,017,825,515.09	1,040,523,297.91
				Non-controlling interests		440,866,121.88	449,285,424.88
				Total owners' equity		**1,458,691,636.97**	**1,489,808,722.79**
Total assets		**2,536,838,074.80**	**2,607,540,908.00**	**Total liabilities and owners' equity**		**2,536,838,074.80**	**2,607,540,908.00**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager：Wu Jianhua**

2. Statement of Financial Position of Parent Company as at 30 June 2023

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan Currency: CNY**

Assets	Note	2023-6-30	2022-12-31	Liabilities and owners' equity	Note	2023-6-30	2022-12-31
Current assets:				**Current liabilities**			
Cash and cash equivalents		8,507,523.76	7,931,576.16	Short-term borrowings			
Held-for-trading financial assets				Held-for-trading financial liabilities			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable	13.1	169,916.06	333,503.79	Accounts payable		1,760,298.65	3,968,243.67
Accounts receivable financing				Advances from customers		2,441,314.51	2,041,705.86
Advances to suppliers		100,416.28	51,777.23	Contract liabilities		168,618.44	149,436.26
Other receivables	13.2	4,172,842.12	3,268,524.27	Employee benefits payable		4,824,731.49	6,777,516.33
Including: Interests receivable				Taxes payable		5,216,266.31	4,438,418.71
Dividend receivable				Other payables		34,468,934.23	36,906,239.73
Inventories		3,369,562.15	2,698,240.54	Including: Interests payables			
Contract asset				Dividend payables			
Assets classified as held for sale				Liabilities classified as held for sale			
Non-current assets maturing within one year				Non-current liabilities maturing within one year		140,510.09	281,020.19
Other current assets				Other current liabilities			
Total current assets		**16,320,260.37**	**14,283,621.99**	**Total current liabilities**		**49,020,673.72**	**54,562,580.75**
Non-current assets:				**Non-current liabilities:**			
Debt investments				Long-term borrowings			
Other debt investments				Bonds payable			
Long-term receivables				Including: Preference share			
Long-term equity investments	13.3	923,414,701.56	923,414,701.56	Perpetual capital securities			
Other equity instrument investment		40,000.00	40,000.00	Lease liabilities			
Other non-current financial assets				Long-term payables			

Assets	Note	2023-6-30	2022-12-31	Liabilities and owners' equity	Note	2023-6-30	2022-12-31
Investment properties		20,926,645.31	21,468,328.32	Long-term employee benefits payable			
Fixed assets		474,111.18	250,663.84	Estimated liabilities			
Construction in progress			244,253.46	Deferred income			
Productive biological assets				Deferred tax liabilities			
Oil and gas assets				Other non-current liabilities			
Right-of-use assets		134,359.30	268,718.44	**Total non-current liabilities**		0.00	0.00
Intangible assets				**Total liabilities**		**49,020,673.72**	**54,562,580.75**
Research and development expenditure				**Owners' equity**			
Goodwill				Share capital		185,391,680.00	185,391,680.00
Long-term deferred expenses		1,540,208.49	1,638,462.29	Other equity instruments			
Deferred tax assets		1,513,732.60	2,562,810.80	Including: Preference shares			
Other non-current assets				Perpetual capital securities			
Total non-current assets		**948,043,758.44**	**949,887,938.71**	Capital reserves		271,490,289.82	271,490,289.82
				Less: Treasury stock			
				Other comprehensive income			
				Specific reserves			
				Surplus reserves		68,925,849.64	68,925,849.64
				Retained earnings		389,535,525.63	383,801,160.49
				Total owners' equity		**915,343,345.09**	**909,608,979.95**
Total assets		**964,364,018.81**	**964,171,560.70**	**Total liabilities and owners' equity**		**964,364,018.81**	**964,171,560.70**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager：Wu Jianhua**

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan** **Currency: CNY**

Item	Note	Reporting period	Same period of last year
I. Revenue	5.34	**625,410,489.15**	**868,292,253.36**
Including: operating revenue	5.34	625,410,489.15	868,292,253.36
II. Cost of sales		**597,572,257.73**	**821,574,501.83**
Including: operating cost	5.34	505,795,106.23	736,996,045.50
Taxes and surcharges	5.35	3,448,295.80	3,794,795.19
Selling and distribution expenses	5.36	13,161,232.97	10,916,746.80
General and administrative expenses	5.37	35,172,437.10	35,970,062.66
Research and development expenses	5.38	29,119,021.28	34,752,012.95
Finance costs	5.39	10,876,164.35	-855,161.27
Including: Interest expense		14,346,616.80	13,625,662.64
Interest income		2,383,878.11	2,772,581.93
Add: Other income	5.40	2,623,900.61	7,279,492.62
Investmentincome/(losses)	5.41	12,065,498.80	8,634,076.34
Including:Investment income from associates and joint ventures			
Gains/ (losses) from derecognition of financial assets measured at amortised cost			
Income/ (losses) from net exposure hedging			
Gains/ (losses) from changes in fair values	5.42	-1,484,625.00	-1,558,033.33
Impairment loss of credit	5.43	171,286.00	831,404.12
Impairment loss of asset	5.44	-3,071,317.80	-6,622,600.99
Gains/ (losses) from disposal of assets	5.45	316,839.99	125,025.90
III. Profit/(loss) from operations		**38,459,814.02**	**55,407,116.19**
Add: Non-operating income	5.46	4,510,900.90	3,060,539.00
Less: Non-operating expenses	5.47	40,912.34	12,120.97
IV. Profit/(loss) before tax		**42,929,802.58**	**58,455,534.22**
Less: Income tax expenses	5.48	5,159,974.62	6,035,903.34
V. Net profit/(loss)		**37,769,827.96**	**52,419,630.88**
(I) Net profit/(loss) by continuity			
Net profit/(loss) from continuing operation		37,769,827.96	52,419,630.88
Net profit/(loss) from discontinued operation			
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		28,317,860.90	39,629,273.60
Attributable to non-controlling interests		9,451,967.06	12,790,357.28
VI. Other comprehensive income, after tax	5.49	**6,135,813.71**	**6,505,491.39**
(a) Attributable to owners of the parent	5.49	4,601,860.28	4,879,118.54

Item	Note	Reporting period	Same period of last year
(i) Items that will not be reclassified subsequently to profit or loss	5.49		-9,453.29
1.Remeasurement of the net defined benefit liability (asset)	5.49		-9,453.29
2. Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
3. Changes in fair value of other equity instrument investment			
4. Changes in fair value of the Company's own credit risks			
(ii) Items that may be reclassified subsequently to profit or loss	5.49	4,601,860.28	4,888,571.83
1. Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in fair value of other debt instrument investment			
3. Other comprehensive income arising from the reclassification of financial assets			
4. Provision for credit impairment in other debt investments			
5. Reserve for cash flow hedges			
6. Exchange differences on translating foreign operations	5.49	4,601,860.28	4,888,571.83
(b) Attributable to non-controlling interests	5.49	1,533,953.43	1,626,372.85
VII. Total comprehensive income		**43,905,641.67**	**58,925,122.27**
Attributable to owners of the parent		32,919,721.18	44,508,392.14
Attributable to non-controlling interests		10,985,920.49	14,416,730.13
VIII. Earnings per share:			
Basic earnings per share	14.2	0.15	0.21
Diluted earnings per share	14.2	0.15	0.21

Where business mergers under the same control occurred in the Reporting Period, net profit achieved by the merged parties before the business mergers was CNY 0.00, with the corresponding amount for the same period of last year being CNY 0.00.

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager: Wu Jianhua**

4. Statement of Profit or Loss and Other Comprehensive Income of Parent Company

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan** **Currency: CNY**

Item	Note	Reporting period	Same period of last year
I. Revenue	13.4	29,022,331.37	25,895,111.22
Less: Costs of sales	13.4	17,978,788.66	17,964,672.31
Taxes and surcharges		1,521,776.23	1,271,058.42
Selling and distribution expenses		2,438,519.11	1,612,268.17
Administrative expenses		1,784,917.72	1,656,889.59
Research and development expenses			
Finance costs		531,170.44	-228,226.91
Including: Interest expense		3,489.90	9,733.32
Interest income		292,389.64	120,824.23
Add: Other income		88,976.54	56,458.41
Investment income/(losses)	13.5	58,215,670.49	69,465,344.64
Including: Investment income from associates and joint ventures			
Gains /(losses) from derecognition of financial assets measured at amortised cost			
Income /(losses) from net exposure hedging			
Gains/(losses) from changes in fair values			
Impairment loss of credit		62,852.61	20,266.93
Impairment loss of asset		-851,905.61	-366,899.55
Gains/(losses) from disposal of assets			
II. Profit/(loss) from operations		**62,282,753.24**	**72,793,620.07**
Add: Non-operating income		129,230.00	38,394.22
Less: Non-operating expenses			327.38
III. Profit/(loss) before tax		**62,411,983.24**	**72,831,686.91**
Less: Income tax expenses		1,060,114.10	664,099.67
IV. Net profit/(loss)		**61,351,869.14**	**72,167,587.24**
Net profit/(loss) from continuing operation		61,351,869.14	72,167,587.24
Net profit/(loss) from discontinued operation			
V. Other comprehensive income, after tax			
(i) Items that will not be reclassified subsequently to profit or loss			
1.Remeasurement of the net defined benefit liability (asset)			
2. Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			

Item	Note	Reporting period	Same period of last year
3. Changes in fair value of other equity instrument investment			
4. Changes in fair value of the Company's own credit risks			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in fair value of other debt instrument investment			
3. Other comprehensive income arising from the reclassification of financial assets			
4. Provision for credit impairment in other debt investments			
5. Reserve for cash flow hedges			
6. Exchange differences on translating foreign operations			
VI. Total comprehensive income		**61,351,869.14**	**72,167,587.24**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager: Wu Jianhua**

5. Consolidated Statement of Cash Flows

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan** **Currency: CNY**

Item	**Note**	**Reporting period**	**Same period of last year**
I. Cash flows from operating activities			
Cash received from the sale of goods and the rendering of services		541,005,360.91	904,979,489.80
Cash received from tax refund		39,806,393.56	56,898,423.31
Other cash received relating to operating activities	5.50	49,360,930.71	53,260,628.45
Subtotal of cash inflows from operating activities		630,172,685.18	1,015,138,541.56
Cash payments for goods purchased and services received		460,257,977.11	735,854,080.25
Cash payments to and on behalf of employees		124,584,413.89	139,522,504.55
Payments of taxes		15,848,581.83	23,004,263.95
Other cash payments relating to operating activities	5.50	59,229,209.75	63,328,776.09
Subtotal of cash outflows from operating activities		659,920,182.58	961,709,624.84
Net cash flows from operating activities		**-29,747,497.40**	**53,428,916.72**
II. Cash flows from investing activities			
Cash received from disposal and redemption of investments		150,281,850.00	171,935,616.45
Cash received from returns on investments		12,579,336.44	8,089,157.93
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		854,004.23	2,442,202.09
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities	5.50	253,023,312.02	207,120,664.36
Subtotal of cash inflows from investing activities		416,738,502.69	389,587,640.83
Cash payments to acquire fixed, intangible and other long-term assets		19,144,947.17	23,308,781.04
Cash payments to acquire investments		150,000,000.00	367,283,876.13
Net cash payments to acquire subsidiaries and other business units		0.00	0.00
Other cash payments relating to investing activities	5.50	304,493,112.02	327,030,464.36
Subtotal of cash outflows from investing activities		473,638,059.19	717,623,121.53
Net cash flows from investing activities		**-56,899,556.50**	**-328,035,480.70**
III. Cash flows from financing activities			
Cash received from capital contributions			
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries			
Cash received from borrowings		21,469,800.00	119,470,618.00
Other cash received relating to financing activities	5.50	2,440,824.50	4,400,029.09
Subtotal of cash inflows from financing activities		23,910,624.50	123,870,647.09
Cash repayments of debts			33,554,500.00
Cash payments for dividends, distribution of profit and interest expenses		75,022,727.49	41,811,721.95
Including: Dividends, distribution of profit paid by subsidiaries to minority shareholders		19,405,223.49	23,155,114.88
Other cash payments relating to financing activities	5.50	4,369,335.92	6,672,741.56
Subtotal of cash outflows from financing activities		79,392,063.41	82,038,963.51

Item	Note	Reporting period	Same period of last year
Net cash flows from financing activities		**-55,481,438.91**	**41,831,683.58**
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**686,059.36**	**6,165,963.07**
V. Net increase / (decrease) in cash and cash equivalents		**-141,442,433.45**	**-226,608,917.33**
Plus: Cash and cash equivalents at the beginning of the period		575,511,846.95	770,851,173.58
VI. Cash and cash equivalents at the end of the period		**434,069,413.50**	**544,242,256.25**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager: Wu Jianhua**

6. Statement of Cash Flows of Parent Company

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan** **Currency: CNY**

Item	Note	Reporting period	Same period of last year
I. Cash flows from operating activities			
Cash received from the sale of goods and the rendering of services		2,264,442.48	3,373,919.40
Cash received from tax refund		17,976.54	266,068.83
Other cash received relating to operating activities		30,909,811.64	25,674,939.91
Subtotal of cash inflows from operating activities		33,192,230.66	29,314,928.14
Cash payments for goods purchased and services received		5,268,234.43	2,378,212.04
Cash payments to and on behalf of employees		2,876,032.08	2,389,555.63
Payments of taxes		5,258,320.56	2,015,867.77
Other cash payments relating to operating activities		22,842,197.56	76,217,382.35
Subtotal of cash outflows from operating activities		36,244,784.63	83,001,017.79
Net cash flows from operating activities		**-3,052,553.97**	**-53,686,089.65**
II. Cash flows from investing activities			
Cash received from disposal and redemption of investments			
Cash received from returns on investments		58,215,670.49	69,465,344.64
Net cash received from disposals of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		58,215,670.49	69,465,344.64
Cash payments to acquire fixed, intangible and other long-term assets			
Cash payments to acquire investments			
Net cash payments to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		-	
Net cash flows from investing activities		**58,215,670.49**	**69,465,344.64**
III. Cash flows from financing activities			
Cash received from capital contributions		-	
Cash received from borrowings		-	
Other cash received relating to financing activities		1,802,497.32	1,802,497.32
Subtotal of cash inflows from financing activities		1,802,497.32	1,802,497.32
Cash repayments of debts		-	
Cash payments for dividends, distribution of profit and interest expenses		55,617,504.00	18,539,168.00

Item	Note	Reporting period	Same period of last year
Other cash payments relating to financing activities		156,960.00	**156,960.00**
Subtotal of cash outflows from financing activities		55,774,464.00	18,696,128.00
Net cash flows from financing activities		**-53,971,966.68**	**-16,893,630.68**
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-615,202.24	187,913.10
V. Net increase / (decrease) in cash and cash equivalents		**575,947.60**	**-926,462.59**
Plus: Cash and cash equivalents at the beginning of the period		**7,931,576.16**	**6,601,322.99**
VI. Cash and cash equivalents at the end of the period		**8,507,523.76**	**5,674,860.40**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager: Wu Jianhua**

7. Consolidated Statement of Changes in Owners' Equity

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan Currency: CNY**

Item	Reporting period												
	Owners’ equity attributable to the parent company											Non-controlling interests	Total owners’ equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
		Preference shares	Perpetual capital securities	Others									
I. Balance brought forward	**185,391,680.00**				**296,808,965.79**		**8,130,895.08**		**68,925,849.64**	**481,265,907.40**	**1,040,523,297.91**	**449,285,424.88**	**1,489,808,722.79**
Add:Changes in accounting policy													
Correction of prior period errors													
Business combination under common control													
Others													
II. Balance as at 1 January	**185,391,680.00**				**296,808,965.79**		**8,130,895.08**		**68,925,849.64**	**481,265,907.40**	**1,040,523,297.91**	**449,285,424.88**	**1,489,808,722.79**
III. Changes in equity during the reporting period							**4,601,860.28**			**-27,299,643.10**	**-22,697,782.82**	**-8,419,303.00**	**-31,117,085.82**
(i) Total comprehensive income							4,601,860.28			28,317,860.90	32,919,721.18	10,985,920.49	43,905,641.67
(ii) Capital contributions or withdrawals by owners													
1. Ordinary shares contributed by shareholders													
2．Capital contributed by holders of other equity instruments													
3．Share-based payments recognised in owners’ equity													
4．Others													
(iii) Profit distribution										-55,617,504.00	-55,617,504.00	-19,405,223.50	-75,022,727.50
1．Withdrawal of surplus reserves													
2．Profit distribution to owners (or shareholders)										-55,617,504.00	-55,617,504.00	-19,405,223.50	-75,022,727.50
3．Others													
(iv) Transfer between owners' equity													
1． Capital reserves transfer to share capital													

Item	Reporting period												
	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
		Preference shares	Perpetual capital securities	Others									
2．Surplus reserves transfer to share capital													
3．Surplus reserves used to cover accumulated deficits													
4．Defined benefit plan transfer to retained earnings													
5. Other comprehensive income transfer to retained earnings													
6. Others													
(v) Specific reserves													
1．Withdrawal during the reporting period													
2．Usage during the reporting period													
(vi) Others												0.01	0.01
IV. Balance carried forward	**185,391,680.00**				**296,808,965.79**		**12,732,755.36**		**68,925,849.64**	**453,966,264.30**	**1,017,825,515.09**	**440,866,121.88**	**1,458,691,636.97**

(Continued)

Item	The same period of last year												
	Owners’ equity attributable to the parent company											Non-controlling interests	Total owners’ equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
		Preference shares	Perpetual capital securities	Others									
I. Balance brought forward	**185,391,680.00**				**296,808,965.79**		**-321,533.48**		**61,371,246.13**	**413,076,375.98**	**956,326,734.42**	**438,874,639.34**	**1,395,201,373.76**
Add:Changes in accounting policy													
Correction of prior period errors													
Business combination under common control													
Others													
II. Balance as at 1 January	**185,391,680.00**				**296,808,965.79**		**-321,533.48**		**61,371,246.13**	**413,076,375.98**	**956,326,734.42**	**438,874,639.34**	**1,395,201,373.76**
III. Changes in equity during the reporting period							**4,879,118.54**			**21,090,105.60**	**25,969,224.14**	**-8,738,384.76**	**17,230,839.38**
(i) Total comprehensive income							4,879,118.54			39,629,273.60	44,508,392.14	14,416,730.13	58,925,122.27
(ii) Capital contributions or withdrawals by owners													
1. Ordinary shares contributed by shareholders													
2．Capital contributed by holders of other equity instruments													
3．Share-based payments recognised in owners’ equity													
4．Others													
(iii) Profit distribution										-18,539,168.00	-18,539,168.00	-23,155,114.88	-41,694,282.88
1．Withdrawal of surplus reserves													
2．Profit distribution to owners (or shareholders)										-18,539,168.00	-18,539,168.00	-23,155,114.88	-41,694,282.88
3．Others													
(iv) Transfer between owners' equity													
1． Capital reserves transfer to share capital													
2．Surplus reserves transfer to share capital													

Item	The same period of last year												
	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
		Preference shares	Perpetual capital securities	Others									
3．Surplus reserves used to cover accumulated deficits													
4．Defined benefit plan transfer to retained earnings													
5. Other comprehensive income transfer to retained earnings													
6. Others													
(v) Specific reserves													
1．Withdrawal during the reporting period													
2．Usage during the reporting period													
(vi) Others												-0.01	-0.01
IV. Balance carried forward	**185,391,680.00**				**296,808,965.79**		**4,557,585.06**		**61,371,246.13**	**434,166,481.58**	**982,295,958.56**	**430,136,254.58**	**1,412,432,213.14**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager：Wu Jianhua**

8. Statement of Changes in Owners' Equity of Parent Company

Prepared by: TsannKuen (China) Enterprise Co., Ltd **Unit：Yuan Currency: CNY**

Item	Reporting period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance brought forward	**185,391,680.00**				**271,490,289.82**				**68,925,849.64**	**383,801,160.49**	**909,608,979.95**
Add:Changes in accounting policy											
Correction of prior period errors											
Others											
II. Balance as at 1 January	**185,391,680.00**				**271,490,289.82**				**68,925,849.64**	**383,801,160.49**	**909,608,979.95**
III. Changes in equity during the reporting period										**5,734,365.14**	**5,734,365.14**
(i) Total comprehensive income										61,351,869.14	61,351,869.14
(ii) Capital contributions or withdrawals by owners											
1. Ordinary shares contributed by shareholders											
2．Capital contributed by holders of other equity instruments											
3．Share-based payments recognised in owners' equity											
4．Others											
(iii) Profit distribution										-55,617,504.00	-55,617,504.00
1．Withdrawal of surplus reserves											
2．Profit distribution to owners (or shareholders)										-55,617,504.00	-55,617,504.00
3．Others											
(iv) Transfer between owners' equity											
1． Capital reserves transfer to share capital											

Item	Reporting period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
2．Surplus reserves transfer to share capital											
3．Surplus reserves used to cover accumulated deficits											
4．Defined benefit plan transfer to retained earnings											
5. Other comprehensive income transfer to retained earnings											
6. Others											
(v) Specific reserves											
1．Withdrawal during the reporting period											
2．Usage during the reporting period											
(vi) Others											
IV. Balance carried forward	**185,391,680.00**				**271,490,289.82**				**68,925,849.64**	**389,535,525.63**	**915,343,345.09**

(Continued)

Item	Same period of last year										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance brought forward	**185,391,680.00**				**271,490,289.82**				**61,371,246.13**	**334,348,896.89**	**852,602,112.84**
Add:Changes in accounting policy											
Correction of prior period errors											
Others											
II. Balance as at 1 January	**185,391,680.00**				**271,490,289.82**				**61,371,246.13**	**334,348,896.89**	**852,602,112.84**
III. Changes in equity during the reporting period										**53,628,419.24**	**53,628,419.24**
(i) Total comprehensive income										72,167,587.24	72,167,587.24
(ii) Capital contributions or withdrawals by owners											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Share-based payments recognised in owners' equity											
4. Others											
(iii) Profit distribution										-18,539,168.00	-18,539,168.00
1. Withdrawal of surplus reserves											
2. Profit distribution to owners (or shareholders)										-18,539,168.00	-18,539,168.00
3. Others											
(iv) Transfer between owners' equity											
1. Capital reserves transfer to share capital											

Item	Same period of last year										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
2．Surplus reserves transfer to share capital											
3．Surplus reserves used to cover accumulated deficits											
4．Defined benefit plan transfer to retained earnings											
5. Other comprehensive income transfer to retained earnings											
6. Others											
(v) Specific reserves											
1．Withdrawal during the reporting period											
2．Usage during the reporting period											
(vi) Others											
IV. Balance carried forward	**185,391,680.00**				**271,490,289.82**				**61,371,246.13**	**387,977,316.13**	**906,230,532.08**

Legal Representative: Cai Yuansong **Chief Financial Officer：Wu Jianhua** **Finance Manager：Wu Jianhua**

Tsann Kuen (China) Enterprise Co., Ltd.

Notes to the Financial Statements for H1 2023

(All amounts are expressed in Renminbi Yuan ("CNY") unless otherwise stated)

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

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 TsannKuen China (Xiamen) Ltd., firstly, invested by the Fordchee (Hongkong) Co., Ltd., EUPA Industry Corporation Limited and Hong Kong Fillman investment Co., Ltd.. On 16 February 1993, with the approval of the Ministry of Foreign Trade and Economic Co-operation, the Company was reorganized into an incorporated company and was renamed as TsannKuen (China) Enterprise Co., Ltd. In June 1993, the Company issued 40,000,000 new shares pursuant to an international placing and public offer and these new shares ("B shares") were then listed on the Shenzhen Stock Exchange on 30 June 1993. According to the "Intended Implementation of Share Reducing Proposal" of the 5th extraordinary board of director of 2012 and the 3rd extraordinary shareholders' general meeting of 2012, obtained the consent from the Investment Promotion Bureau of Xiamen which is authorized by the Ministry of Commerce and the approval documents "The Approval by Investment Promotion Bureau of Xiamen to Consent the Capital Reduction of TsannKuen (China) Enterprise Co., Ltd"(IPB audit [2012] NO. 698), as the base 1,112,350,077 shares of the total original share capital, for implementation of share reducing model that all registered shareholders who was recorded on 28 December 2012 with the proportion 6:1 to reduce the shares. After the implementation of share reducing model, total share capital was reduced from 1,112,350,077 shares to 185,391,680 shares of the company. Until 30 June 2023, the Company's share capital is CNY 185,391,680. Following 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 TsannKuen (China) Enterprise Co., Ltd. Shares Traded Sponsor of the Approval"), On 6 December 2006, the Company received the [2006] No.266 file "The notice of TsannKuen (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) held by the Company's shareholders, EUPA Industry Corporation Limited, Fordchee Development Limited, and Fillman Investment Limited to transfer into B shares. On 29 November 2007, these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to 30 June 2023, total B shares held by the three legal shareholders (EUPA Industry Corporation Limited, Fordchee Development Limited, and Fillman Investment Limited) are 82,830,966 shares after the implementation of share reducing model (Accounts for 44.68% of the share capital).

Legal representative: Cai Yuansong

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

The parent: STAR COMGISTIC CAPITAL CO.,LTD.

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

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

The Company was involved in the following operating activities: developing, manufacturing 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 statements approved by the resolution of the Board of Directors on 8 August 2023.

1.2 Scope and changes of consolidated financial statements

8 subsidiaries were included in the scope of consolidation as of 30 June 2023, please see Note 7 INTEREST IN OTHER ENTITIES for details.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as "Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC"). In addition, the Company complies with the 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) to disclose its financial information.

2.2 Going Concern

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Businesses not mentioned are complied with relevant accounting policies of the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truthfully and completely reflecting the Company's financial position as of 30 June 2023, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3.3 Operating Cycle

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

3.4 Functional Currency

The Company takes Renminbi Yuan ("CNY") as the functional currency.

The Company's overseas subsidiaries choose the currency of the primary economic environment in which the subsidiaries operate as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

3.5.1 Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Refer to Note 3.6 (6) for accounting treatment of business combination under common control by step acquisitions.

3.5.2 Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognise the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

3.5.2.1 It shall review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;

3.5.2.2 If, after the review, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognised in profit or loss of the reporting period.

Refer to Note 3.6.6 or the accounting treatment of business combination under the same control by step acquisitions.

3.5.3 Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Method of Preparing the Consolidated Financial Statements

3.6.1 Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are the entities that controlled by the Company (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

3.6.2 Special requirement as the parent company is an investment entity

If the parent company is an investment entity, it should measure its investments in particular subsidiaries as financial assets at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. However, as an exception to this requirement, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated.

The parent company is defined as investment entity when meets following conditions:

3.6.2.1 Obtains funds from one or more investors for the purpose of providing those investors with investment management services;

3.6.2.2 Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

3.6.2.3 Measures and evaluates the performance of substantially all of its investments on a fair value basis.

If the parent company becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary which provides investment-related services or activities to the investment entity shall be continued to be consolidated. The deconsolidation of subsidiaries is accounted for as though the investment entity partially disposed subsidiaries without loss of control.

When the parent company previously classified as an investment entity ceases to be an investment entity, subsidiary that was previously measured at fair value through profit or loss shall be included in the scope of consolidated financial statements at the date of the change in status. The fair value of the subsidiary at the date of change represents the transferred deemed consideration in accordance with the accounting for business combination not under common control.

3.6.3 Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results, and cash flows of the group.

3.6.3.1 Like items of assets, liabilities, equity, income, expenses, and cash flows of the parent are combined with those of the subsidiaries.

3.6.3.2 The carrying amount of the parent’s investment in each subsidiary is eliminated (off-set) against the parent’s portion of equity of each subsidiary.

3.6.3.3 Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognised in full.

3.6.3.4 Adjust special transactions from the perspective of the group.

3.6.4 Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

3.6.4.1 Acquisition of subsidiaries or business

3.6.4.1.1 Subsidiaries or business acquired through business combination under common control

a. When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

b. Incomes, expenses, and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

c. Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

3.6.4.1.2 Subsidiaries or business acquired through business combination not under common control

a. When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

b. Incomes, expenses, and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss.

c. Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

3.6.4.3 Disposal of subsidiaries or business

3.6.4.3.1 When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

3.6.4.3.2 Incomes, expenses, and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss.

3.6.4.3.3 Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

3.6.5 Special consideration in consolidation elimination

3.6.5.1 Long-term equity investment held by the subsidiaries to the Company shall be recognised as treasury stock of the Company, which offsets with the owner's equity, represented as "treasury stock" under "owner's equity" in the consolidated statement of financial position.

Long-term equity investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated (off- set) against the portion of the corresponding subsidiary's equity.

3.6.5.2 Due to not belonging to paid-in capital (or share capital) and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered based on the proportion attributable to owners of the parent company after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

3.6.5.3 If temporary timing difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of elimination of unrealized inter-company transaction profit or loss, deferred tax assets of deferred tax liabilities shall be recognised, and income tax expense in the consolidated statement of profit or loss shall be adjusted simultaneously, excluding deferred taxes related to transactions or events directly recognised in owner's equity or business combination.

3.6.5.4 Unrealised inter-company transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated against "net profit attributed to the owners of the parent company" in full. Unrealized inter-company transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the related subsidiaries. Unrealized inter-company transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the selling subsidiaries.

3.6.5.5 If loss attributed to the minority shareholders of a subsidiary in current period is more than the proportion of non-controlling interest in this subsidiary at the beginning of the period, non-controlling interest is still to be written down.

3.6.6 Accounting for Special Transactions

3.6.6.1 Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the separate financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the acquisition date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted into capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

3.6.6.2 Gaining control over the subsidiary in stages through multiple transactions

3.6.6.2.1 Business combination under common control in stages through multiple transactions

On the combination date, in the separate financial statement, initial cost of the long-term equity investment is determined according to the share of carrying amount of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements after combination. The difference between the initial cost of the long-term equity investment and the carrying amount of the long-term investment held prior of control plus book value of additional consideration paid at acquisition date is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against surplus reserve and undistributed profit in turn.

In the consolidated financial statements, the assets and liabilities acquired during the combination should be recognized at their carrying amount in the ultimate controlling entity's consolidated financial statements on the combination date unless any adjustment is resulted from the difference in accounting policies. The difference between the carrying amount of the investment held prior of control plus book value of additional consideration paid on the acquisition date and the net assets acquired through the combination is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against retained earnings.

If the acquiring entity holds equity investment in the acquired entity prior to the combination date and the equity investment is accounted for under the equity method, related profit or loss, other comprehensive income and other changes in equity which have been recognised during the period from the later of the date of the Company obtaining original equity interest and the date of both the acquirer and the acquiree under common control of the same ultimate controlling party to the combination date should be offset against the opening balance of retained earnings at the comparative financial statements period respectively.

3.6.6.2.2 Business combination not under common control in stages through multiple transactions

On the consolidation date, in the separate financial statements, the initial cost of long-term equity investment is determined according to the carrying amount of the original long-term investment plus the cost of new investment.

In the consolidated financial statements, the equity interest of the acquired entity held prior to the acquisition date shall be re-measured at its fair value on the acquisition date. Difference between the fair value of the equity interest and its book value is recognised as investment income. The other comprehensive income related to the equity interest held prior to the acquisition date calculated through equity method, should be transferred to current investment income of the acquisition period, excluding other comprehensive income resulted from the remeasurement of the net assets or net liabilities under defined benefit plan. The Company shall disclose acquisition-date fair value of the equity interest held prior to the acquisition date, and the related gains or losses due to the remeasurement based on fair value.

3.6.6.3 Disposal of investment in subsidiaries without a loss of control

For partial disposal of the long-term equity investment in the subsidiaries without a loss of control, when the Company prepares consolidated financial statements, difference between consideration received from the disposal and the corresponding share of subsidiary’s net assets cumulatively calculated from the acquisition date or combination date shall be adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be offset against retained earnings.

3.6.6.4 Disposal of investment in subsidiaries with a loss of control

3.6.6.4.1 Disposal through one transaction

If the Company loses control in an investee through partial disposal of the equity investment, when the consolidated financial statements are prepared, the retained equity interest should be re-measured at fair value at the date of loss of control. The difference between i) the fair value of consideration received from the disposal plus non-controlling interest retained; ii) share of the former subsidiary's net assets cumulatively calculated from the acquisition date or combination date according to the original proportion of equity interest, shall be recognised in current investment income when control is lost. Moreover, other comprehensive income and other changes in equity related to the equity investment in the former subsidiary shall be transferred into current investment income when control is lost, excluding other comprehensive income resulted from the remeasurement of the movement of net assets or net liabilities under defined benefit plan.

3.6.6.4.2 Disposal in stages

In the consolidated financial statements, whether the transactions should be accounted for as "a single transaction" needs to be decided firstly.

If the disposal in stages should not be classified as "a single transaction", in the separate financial statements, for transactions prior of the date of loss of control, carrying amount of each disposal of long-term equity investment need to be recognized, and the difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed should be recognized in current investment income; in the consolidated financial statements, the disposal transaction should be accounted for according to related policy in "Disposal of long-term equity investment in subsidiaries without a loss of control".

If the disposal in stages should be classified as "a single transaction", these transactions should be accounted for as a single transaction of disposal of subsidiary resulting in loss of control. In the separate financial statements, for each transaction prior of the date of loss of control, difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed should be recognised as other comprehensive income firstly, and transferred to profit or loss as a whole when control is lost; in the consolidated financial statements, for each transaction prior of the date of loss of control, difference between consideration received and proportion of the subsidiary's net assets corresponding to the equity interest disposed should be recognised in profit or loss as a whole when control is lost.

In considering of the terms and conditions of the transactions as well as their economic impact, the presence of one or more of the following indicators may lead to account for multiple transactions as a single transaction:

a. The transactions are entered into simultaneously or in contemplation of one another.

b. The transactions form a single transaction designed to achieve an overall commercial effect.

c. The occurrence of one transaction depends on the occurrence of at least one other transaction.

d. One transaction, when considered on its own merits, does not make economic sense, but when considered together with the other transaction or transactions would be considered economically justifiable.

3.6.6.5 Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against retained earnings.

3.7 Cash and Cash Equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.8 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

3.8.1 Determination of the exchange rate for foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at the spot exchange rate of the transaction date, or at an exchange rate which is determined through a systematic and reasonable method and is approximate to the spot exchange rate of the transaction date (hereinafter referred to as the approximate exchange rate).

3.8.2 Translation of monetary items denominated in foreign currency on the balance sheet date

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date; for the foreign currency non-monetary items restated to a fair value measurement, shall be translated into the at the spot exchange rate at the date when the fair value was determined, the difference between the restated functional currency amount and the original functional currency amount shall be recorded into the profits and losses at the current period.

3.8.3 Translation of foreign currency financial statements

Before translating the financial statements of foreign operations, the accounting period and accounting policy shall be adjusted so as to conform to the Company. The adjusted foreign operation financial statements denominated in foreign currency (other than functional currency) shall be translated in accordance with the following method:

3.8.3.1 The asset and liability items in the statement of financial position shall be translated at the spot exchange rates at the date of that statement of financial position. The owners' equity items except undistributed profit shall be translated at the spot exchange rates when they are incurred.

3.8.3.2 The income and expense items in the statement of profit and other comprehensive income shall be translated at the spot exchange rates or approximate exchange rate at the date of transaction.

3.8.3.3 Foreign currency cash flows and cash flows of foreign subsidiaries shall be translated at the spot exchange rate or approximate exchange rate when the cash flows are incurred. The effect of exchange rate changes on cash is presented separately in the statement of cash flows as an adjustment item.

3.8.3.4 The differences arising from the translation of foreign currency financial statements shall be presented separately as "other comprehensive income" under the owners' equity items of the consolidated statement of financial position.

When disposing a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation recognised under other comprehensive income in the statement of financial position, shall be reclassified into current profit or loss according to the proportion disposed.

3.9 Financial Instruments

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

3.9.1 Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognised in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognised when meets one of the following conditions:

3.9.1.1 The rights to the contractual cash flows from a financial asset expire

3.9.1.2 The financial asset has been transferred and meets one of the following derecognition conditions:

Financial liabilities (or part thereof) are derecognised only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a regular way shall be recognised and derecognised using trade date accounting. A regular purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the marketplace concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

3.9.2 Classification and measurement of financial assets

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortised cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income

(FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise, the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognised in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

3.9.2.1 Financial asset at amortised cost

The financial asset at amortised cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortised cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortisation under effective interest rate method or impairment are recognised in current profit or loss.

3.9.2.2 Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. All changes in fair value are recognised in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognised in current profit or loss. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognised in other comprehensive income except for dividend income recognised in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

3.9.2.3 Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for abovementioned financial asset at amortised cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

3.9.3 Classification and measurement of financial liabilities

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts and financial asset at amortised cost.

Subsequent measurement of financial assets will be based on the classification:

3.9.3.1 Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognised in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to retained earnings.

3.9.3.2 Loan commitments and financial guarantee contracts

Loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognised based on expected credit losses model.

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognised according to the impairment principles of financial instruments; and the amount initially recognised less the cumulative amount of income recognised in accordance with the revenue principles.

3.9.3.3 Financial liabilities at amortised cost

After initial recognition, the Company measured other financial liabilities at amortised cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

3.9.3.3.1 If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, yet they may include contractual obligation indirectly through other terms and conditions.

3.9.3.3.2 If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company’s own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where the amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless whether the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity’s own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

3.9.4 Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognised as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognised directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognised in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

3.9.5 Impairment of financial instrument

The Company shall recognise a loss allowance based on expected credit losses for financial asset that is measured at amortised cost, debt investment at fair value through other comprehensive income, contract asset, lease receivable, loan commitment, and financial guarantee contract.

3.9.5.1 Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, which is all cash shortfalls, discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime if the expected life of a financial instrument is less than 12 months).

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instruments at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (ie, impairment loss not been deducted). For financial instruments at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortised costs after deducting of impairment loss.

For notes receivable, accounts receivable and accounts receivable financing, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at the amount that equals to the lifetime expected credit losses.

3.9.5.1.1 Receivables/Contract Assets

For the notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognise the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets, and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets, and long-term receivables shall be divided into several groups based on similar credit risk characteristics and calculate collectively on the expected credit loss. The determination basis of groups is as following:

a. Notes Receivables

The Company measures the loss impairment in accordance with the amount equivalent to the lifetime expected credit losses for notes receivables. The notes receivables are divided into different groups based on credit risk characteristics:

Item	Basis for determining the groups
Bank acceptance bill	The acceptor is a bank with less credit risk.
Commercial acceptance bill	According to the credit risk of the acceptor, it should be the same as the “accounts receivable” combination.

b. Accounts Receivables

For accounts receivables that do not contain significant financing components, the Company measures the loss impairment in accordance with the amount equivalent to the expected credit loss in the whole duration.

For accounts receivables and lease receivables that contain significant financing components, the Company continuously chooses to measure the loss impairment in accordance with the amount equivalent to the expected credit loss in the whole duration.

Other than the accounts receivable whose credit risk is assessed individually, the other accounts receivables are grouped based on their credit risk characteristics:

Group	Basis for determining the groups
Aging of Accounts Receivables	This group uses the accounts receivables aging as the credit risk characteristics.
Related parties	Related party relationships (except for evidencing that they cannot be received).

c. Other Receivables

The Company assesses whether the credit risk of other receivables has significantly increased since initial recognition, and utilizes the amount equivalent to the expected credit loss in the next 12 months or the whole duration to measures the impairment loss accordingly. Besides the other receivables that have individually assessed credit risk, the rest of the other receivables are classified into different groups based on their credit risk characteristics:

Group	Basis for determining the groups
Deposit guarantee	This group of receivables includes deposit receivables, advances on behalf of others and quality guarantee deposits to be collected in daily activities.
Export tax refund	This group is the declared export tax refund funds that have not been received.
Open credits	This group uses the age of accounts receivable as the credit risk characteristics.
Related parties	Related party relationships (except for evidencing that they cannot be covered)

3.9.5.1.2 Debt investment and other debt investment

For debt investment and other debt investment, the Company shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty, and the type of risk exposure.

3.9.5.2 Low credit risk

If the financial instrument has a low risk of default, and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations, then the financial instrument is considered to have low credit risk.

3.9.5.3 Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the Company are as following:

a) Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception;

b) Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower’s ability to meet its debt obligations;

c) An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower；

d) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower’s economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

e) Significant change that are expected to reduce the borrower’s economic incentive to make scheduled contractual payments;

f) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument；

g) Significant changes in the expected performance and behaviour of the borrower；

h) Contractual payments are more than 30 days past due.

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

3.9.5.4 Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortised cost and debt investment at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider； it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

3.9.5.5 Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit loss and recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses or addition (or reversal). For financial asset at amortised cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

3.9.5.6 Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognised in profit or loss as reversal of impairment loss.

3.9.6 Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

3.9.6.1 Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognised.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognised in profit or loss:

- The carrying amount of transferred financial asset;
- The sum of consideration received and the part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognised (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised) and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognised in profit or loss:

- The carrying amount (measured at the date of derecognition) allocated to the part derecognised；
- The sum of the consideration received for the part derecognised and part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

3.9.6.2 Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognise the transferred asset to the extent of its continuing involvement and also recognise an associated liability.

The extent of the Company’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

3.9.6.3 Continue to recognise the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability. The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognise any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

3.9.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not offset each other. When the following conditions are met, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

The Company currently has a legally enforceable right to set off the recognised amounts.

The Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company shall not offset the transferred asset with the associated liability.

3.9.8 Determination of fair value of financial instruments

Refer to Note 3.10 for determination of financial assets and financial liabilities.

3.10 Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3.10.1 Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market approach, the income approach, and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when relevant observable inputs are not available or practically would not be obtained. Observable inputs refer to the information which is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

3.10.2 Fair value hierarchy

To Company establishes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

3.11 Inventories

3.11.1 Classification of inventories

Inventories are finished goods or products held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, work in progress, semi-finished goods, finished goods, low value consumption goods, goods in transit, etc.

3.11.2 Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average basis.

3.11.3 Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

3.11.4 Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognised as provision for impairment of inventory, and recognised in current profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and impact of post balance sheet event shall be considered.

3.11.4.1 The net realizable value of finished goods, products and materials for direct sale is determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges in normal operation process. The net realizable value for inventories held to execute sales contract or service contract is calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices. Net realizable value of materials held for sale shall be measured based on market price.

3.11.4.2 For materials in stock need to be processed, in the ordinary course of production and business, net realisable value is determined at the estimated selling price less the estimated costs of completion, the estimated selling expenses and relevant taxes. If the net realisable value of the finished products produced by such materials is higher than the cost, the materials shall be measured at cost; if a decline in the price of materials indicates that the cost of the finished products exceeds its net realisable value, the materials are measured at net realisable value and differences shall be recognised at the provision for impairment.

3.11.4.3 Provisions for inventory impairment are generally determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

3.11.4.4 If any factor rendering write-downs of the inventories has been eliminated at the reporting date, the amounts written down are recovered and reversed to the extent of the inventory impairment, which has been provided for. The reversal shall be included in profit or loss.

3.11.5 Amortisation method of low-value consumables

Low-value consumables: One-off writing off method is adopted.

Package material: One-off writing off method is adopted.

3.12 Contract Assets and Contract Liabilities

The Company presents contract assets or contract liabilities in the balance sheet in accordance with the relationship between performance obligations and customer payments. The Company has the right to charge for the transfer of goods or services to customers (and the right depends on factors other than the passage of time) are presented as contract assets. The company's obligations to transfer goods or provide services to customers for consideration received or receivable from customers are presented as contract liabilities.

Refer to Note 3.9 for the determination and accounting treatments of the company's expected credit loss of contract assets.

Contract assets and contract liabilities are presented separately in the balance sheet. Contract assets and contract liabilities under the same contract are presented as net amount. If the netted amount has the debit balance, then it is reported as "contract assets" or "other non-current assets" based on its liquidity; if the netted amount has a credit balance, it is listed in the item of "contract liabilities" or "other non-current liabilities" based on its liquidity. Contract assets and contract liabilities under different contracts shall not offset each other.

3.13 Contract Cost

Contract costs contain contract enforcement costs and contract acquisition costs.

The cost incurred by the Company for the enforcement of the contract is recognized as an asset as the contract enforcement cost when the following conditions are simultaneously met:

3.13.1 The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract.

3.13.2 The cost increases the company's future resources for fulfilling contract enforcement obligations.

3.13.3 The cost is expected to be recovered.

The incremental cost incurred by the Company in order to obtain the contract is expected to be recovered, and shall be recognized as an asset as the cost of obtaining the contract. Assets related to contract costs are amortised on the same basis as the revenue recognition of goods or services related to the asset; however, if the amortisation period of contract acquisition costs does not exceed one year, the Company will include the contract costs in the current profits and losses at occurrence.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the Company will make provision for impairment of the excess part and recognize it as an asset impairment loss, and further consider whether to withdraw losses related to the contract estimated liabilities:

3.13.3.1 The remaining consideration expected to be obtained due to the transfer of goods or services related to the asset;

3.13.3.2 Estimate the cost that will incur for the transfer of the related goods or services.

If the aforementioned asset impairment provision is subsequently reversed, the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

For the contract enforcement cost recognized as an asset, the amortisation period shall not exceed one year or a normal business cycle at initial recognition, and shall be presented in the "inventory" item. The amortisation period exceeds one year or a normal business cycle at the initial recognition, shall be presented in “other non-current assets”.

The contract acquisition cost recognized as an asset shall be reported in "other current assets" when the amortisation period does not exceed one year or one normal business cycle at the time of initial recognition, and reported in the item of "other non-current assets" when the amortisation period exceeds one year or one normal business cycle at the time of initial recognition.

3.14 Long-term Equity Investments

Long-term equity investments refer to equity investments where the Company has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

3.14.1 Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

3.14.2 Determination of initial investment cost

3.14.2.1 Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets, or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognised as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For business combination not under common control, the assets paid, liabilities incurred or assumed, and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognised as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognised in profit or loss as incurred.

3.14.2.2 For long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognised as the initial investment cost.

For long-term equity investment acquired through debt restructuring, the book value is determined based on the fair value of waived debts and the taxes and other costs directly attributable to the assets. Difference between fair value and carrying amount of waived debts shall be recorded in current profit or loss.

3.14.2.3 Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

3.14.2.3.1 Cost method

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognises its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

3.14.2.3.2 Equity method

For Long-term equity investment recognised at equity method, cost of the long-term equity investment shall be recognized based on the following conditions:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognises the share of the investee’s net profits or losses, as well as its share of the investee’s other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor’s share of the investee’s owners’ equity changes, other than those arising from the investee’s net profit or loss, other comprehensive income, or profit distribution, shall be recognised in the investor’s equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee’s net profits or losses after making appropriate adjustments of investee’s net profit based on the fair values of the investee’s identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as other equity instrument investment, the difference between the fair value and the book value, as well as the accumulated gains or losses previously recorded in other comprehensive income, shall be transferred out of other comprehensive income, and recognized into retained earnings in the current period when the equity method is adopted.

If the Company loses the joint control or significant influence of the investee for some reasons such as disposal of equity investment, the retained interest shall be measured at fair value and the difference between the carrying amount and the fair value at the date of loss the joint control or significant influence shall be recognised in profit or loss. When the Company discontinues the use of the equity method, the Company shall account for all amounts previously recognised in other comprehensive income under equity method in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

3.14.2.4 Methods of impairment and provision for impairment

The asset impairment method for the investment in subsidiaries, joint ventures and joint ventures is shown in Note 3.20.

3.15 Investment Property

3.15.1 Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both, including:

3.15.1.1 Land use right leased out

3.15.1.2 Land held for transfer upon appreciation

3.15.1.3 Buildings leased out

3.15.2 The measurement model of investment property

The Company adopts the cost model for subsequent measurement of investment properties. Refer to Note 3.20 for provision for impairment.

The Company calculates the depreciation or amortisation based on the net amount of investment property cost less the accumulated impairment and the net residual value using straight-line method. Investment property is depreciated or amortised in accordance with the policy consistent with that of buildings or land use rights.

3.16 Fixed Assets

Fixed assets refer to the tangible assets with higher unit price held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

3.16.1 Recognition criteria of fixed assets

Fixed assets will only be recognised at the actual cost paid when obtaining as all the following criteria are satisfied:

3.16.1.1 It is probable that the economic benefits relating to the fixed assets will flow into the Company;

3.16.1.2 The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

3.16.2 Depreciation methods of fixed assets

The Company begins to depreciate the fixed asset from the next month after it is available for intended use using the straight-line-method. The estimated useful life and annual depreciation rates which are determined according to the categories, estimated economic useful lives, and estimated net residual rates of fixed assets are listed as followings:

Category	Depreciation method	Residual rates (%)	Estimated useful life (year)	Annual depreciation rates (%)
Buildings and constructions	Straight-line method	7.00-10.00	20	4.50-4.65
Machinery equipment	Straight-line method	0.00	5-15	6.67-20.00
Electrical equipment,	Straight-line method	0.00	5-6	16.67-20.00

Category	Depreciation method	Residual rates (%)	Estimated useful life (year)	Annual depreciation rates (%)
molde, and other				
Vehicles	Straight-line method	0.00	6	16.67
Improvement expenditure of leased fixed assets	Straight-line method	0.00	Amortisation shall be made according to the shorter of benefit period and lease period	

For the fixed assets with impairment provided, the impairment provision should be excluded from the cost when calculating depreciation.

The Company reviews the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the fixed assets shall be adjusted if it is changed compared to the original estimation.

3.17 Construction in Progress

3.17.1 Classification of construction in progress

Construction in progress is measured on an individual project basis.

3.17.2 Recognition criteria and timing of transfer from construction in progress to fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.18 Borrowing Costs

3.18.1 Recognition criteria and period for capitalization of borrowing costs

The Company shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets when meet the following conditions:

3.18.1.1 Expenditures for the asset are being incurred;

3.18.1.2 Borrowing costs are being incurred, and;

3.18.1.3 Acquisition, construction, or production activities that are necessary to prepare the assets for their intended use or sale are in progress.

Other borrowing cost, discounts or premiums on borrowings and exchange differences on foreign currency borrowings shall be recognized into current profit or loss when incurred.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed, or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognised as expenses when incurred.

3.18.2 Capitalization rate and measurement of capitalized amounts of borrowing costs

When funds are borrowed specifically for purchase, construction, or manufacturing of assets eligible for capitalization, the Company shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any interest income on bank deposit or investment income on the temporary investment of those borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowing.

3.19 Intangible Assets

3.19.1 Intangible assets

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 purchased by the Company are accounted as intangible assets. Buildings such as plants that are developed and constructed by the Company, and relevant land use rights and buildings, are accounted 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 the land use rights and buildings are accounted as fixed assets.

When intangible assets with definite useful lives are available for use, the original cost less net residual value and any accumulate impairment losses is amortised over its estimated useful life using the straight-line method. Intangible assets with indefinite useful life are not amortised.

For intangible assets with finite useful life, the estimated useful life and amortisation method are reviewed annually at the end of each reporting period and adjusted when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortised systematically and reasonably within the estimated useful lives.

3.19.2 Research and development costs

The company's internal research and development project expenditures are categorized into research phase expenditures and development phase expenditures.

Expenditures arising from development phase on internal research and development projects shall be recognised as intangible assets only if all of the following conditions have been met, otherwise shall be recognised in profit or loss when incurred:

3.19.2.1 Technical feasibility of completing the intangible assets so that they will be available for use or sale;

3.19.2.2 Its intention to complete the intangible asset and use or sell it;

3.19.2.3 The method that the intangible assets generate economic benefits, including the Company can demonstrate the existence of a market for the output of the intangible assets or the intangible assets themselves or, if it is to be used internally, the usefulness of the intangible assets;

3.19.2.4 The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset;

3.19.2.5 Its ability to measure reliably the expenditure attributable to the intangible asset.

The costs cannot be distinguished into the search phase and the development phase is recognised in profit or loss for the period in which it incurred.

3.19.3 Impairment of intangible assets

Refer to Note 3.20 for impairment and provisions of intangible assets.

3.20 Impairment of Long-Term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, investment properties, fixed assets and constructions in progress subsequently measured at cost, productive biological assets, intangible assets, goodwill, the rights and interests of proved mining areas of petroleum and natural gas and wells and other relevant facilities measured at cost (excluding inventories, investment properties measured at fair value, deferred tax assets, financial assets), shall be determined according to following method:

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of a group of asset is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognised accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to relevant group of assets based on reasonable method; if it is difficult to allocate to relevant group of assets, goodwill shall be allocated to relevant combination of asset groups. The relevant group of assets or combination of asset groups is a group of assets or combination of asset groups that is benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and calculate the recoverable amount and recognize the impairment loss. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognise the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognised.

3.21 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortised over current and subsequent periods with the amortisation period exceeding one year. Long-term deferred expenses are amortized on a straight-line basis during the expected benefit period.

3.22 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of decreased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee benefits are presented in the statement of financial position as “Employee benefits payable” and “Long-term employee benefits payable”.

3.22.1 Short-term employee benefits

3.22.1.1 Employee basic salary (salary, bonus, allowance, subsidy)

The Company recognises, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit except for those recognised as capital expenditure based on the requirement of accounting standards.

3.22.1.2 Employee welfare

The Company shall recognise the employee welfare based on actual amount when incurred into current profit or loss or related capital expenditure. Employee welfare shall be measured at fair value if it is a non-monetary benefits.

3.22.1.3 Social insurance such as medical insurance, work injury insurance and maternity insurance, housing funds, labor union fund and employee education fund

Payments made by the Company of social insurance for employees, such as medical insurance, work injury insurance and maternity insurance, payments of housing funds, and labor union fund and employee education fund accrued in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to required accrual bases and accrual ratio in determining the amount of employee benefits and the related liabilities, which shall be recognised in current profit or loss or the cost of relevant asset.

3.22.1.4 Short-term paid absences

The company shall recognise the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The Company shall recognise relevant employee benefit of non-accumulating paid absences when the absences actually occurred.

3.22.1.5 Short-term profit-sharing plan

The Company shall recognise the related employee benefits payable under a profit-sharing plan when both of the following conditions are satisfied:

3.22.1.5.1 The Company has a present legal or constructive obligation to make such payments as a result of past events;

3.22.1.5.2 A reliable estimate of the amounts of employee benefits obligation arising from the profit- sharing plan can be made.

3.22.2 Post-employment benefits

3.22.2.1 Defined contribution plans

The Company shall recognise, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the current profit or loss or the cost of a relevant asset.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they shall be discounted using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined contribution obligations) to measure employee benefits payable.

3.22.2.2 Defined benefit plan

3.22.2.2.1 The present value of defined benefit obligation and current service costs

Based on the expected accumulative welfare unit method, the Company shall make estimates about demographic variables and financial variables in adopting the unbiased and consistent actuarial assumptions and measure defined benefit obligation, and determine the obligation period. The Company shall discount the obligation arising from defined benefit plan using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) in order to determine the present value of the defined benefit obligation and the current service cost.

3.22.2.2.2 The net defined benefit liability or asset

The net defined benefit liability or asset is the deficit or surplus recognised as the present value of the defined benefit obligation less the fair value of plan assets.

When the Company has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling.

3.22.2.2.3 The amount recognised in the cost of asset or current profit or loss

Service cost comprises current service cost, past service cost and any gain or loss on settlement. Other service cost shall be recognised in profit or loss unless accounting standards require or allow the inclusion of current service cost within the cost of assets.

Net interest on the net defined benefit liability or asset comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling, shall be included in profit or loss.

3.22.2.2.4 The amount recognised in other comprehensive income

Changes in the net liability or asset of the defined benefit plan resulting from the remeasurements including:

- Actuarial gains and losses, which are the changes in the present value of the defined benefit obligation resulting from experience adjustments or the effects of changes in actuarial assumptions;
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability or asset;
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

Remeasurements of the net defined benefit liability or asset recognised in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the Company may transfer those amounts recognised in other comprehensive income within equity.

3.22.3 Termination benefits

The Company providing termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

3.22.3.1 When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.

3.22.3.2 When the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall discount the termination benefits using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) to measure the employee benefits.

3.22.4 Other long-term employee benefits

3.22.4.1 Meet the conditions of the defined contribution plan

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, all those benefits payable shall be accounted for as employee benefits payable at their discounted value.

3.22.4.2 Meet the conditions of the defined benefit plan

At the end of the reporting period, the Company recognised the cost of employee benefit from other long-term employee benefits as the following components:

- Service costs;
- Net interest cost for net liability or asset of other long-term employee benefits
- Changes resulting from the remeasurements of the net liability or asset of other long-term employee benefits

In order to simplify the accounting treatment, the net amount of above items shall be recognised in profit or loss or relevant cost of assets.

3.23 Estimated Liabilities

3.23.1 Recognition criteria of estimated liabilities

The Company recognises the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

3.23.1.1 That obligation is a current obligation of the Company;

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

3.23.1.3 The amount of the obligation can be measured reliably.

3.23.2 Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties, and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidence indicates that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount shall be adjusted based on the updated best estimate.

3.24 Revenue recognition principle and measurement

3.24.1 General principle

Revenue is the total inflow of economic benefits formed in the company's daily activities that will increase shareholders' equity and does not relate to the capital invested by shareholders.

The Company has fulfilled the performance obligation in the contract, that is, the revenue is recognised when the customer obtains the control right of relevant goods. To obtain the control right of the relevant commodity means to be able to dominate the use of the commodity and obtain almost all the economic benefits from it.

If there are two or more performance obligations in the contract, the Company will allocate the transaction price to each performance obligation based on the relative proportion of the separate selling price of the goods or services promised by each performance obligation on the start date of the contract, and measure the income based on the transaction price allocated to each single performance obligation.

The transaction price refers to the amount of consideration that the Company is expected to be entitled to receive due to the transfer of goods or services to customers, excluding payments collected on behalf of third parties. When determining the transaction price of the contract, the Company determines the transaction price according to the terms of the contract and in combination with its historical practices. When determining the transaction price, the Company takes into account the influence of variable considerations, significant financing elements in the contract, the non-cash considerations, the considerations payable to customers and other factors. The Company determines the transaction price including variable consideration at an amount that does not exceed the amount at which the accumulated recognized income is unlikely to have a significant reversal when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable in cash when the customer obtains the control right of the commodity. The difference between the transaction price and the contract consideration will be amortised by the effective interest method during the contract period. If the interval between the control right transfer and the customer's payment is less than one year, the company will not consider the financing component.

If one of the following conditions is met, the performance obligation shall be fulfilled within a certain period of time; otherwise, the performance obligation shall be fulfilled at a certain point of time:

3.24.1.1 The customer obtains and consumes the economic benefits brought by the Company's fulfillment of contract when the Company performs the obligations;

3.24.1.2 The customer can control the commodities under construction during the Company's execution of the contract;

3.24.1.3 The commodities produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance part that has been completed so far during the entire contract period.

For performance obligations fulfilled within a certain period of time, the Company recognises revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. The Company determines the progress of the performance of services in accordance with the input method (or output method). When the progress of the contract performance cannot be reasonably determined, if the cost incurred by the Company is expected to be compensated, the revenue shall be recognised according to the amount of the cost incurred until the progress of the contract performance can be reasonably determined.

For performance obligations fulfilled at a certain point in time, the Company recognises revenue at the point when the customer obtains control of the relevant commodities. The Company considers the following signs when judging whether a customer has obtained control of goods or services:

3.24.1.4 The Company has the current right to receive payment for the goods or services, that is, the customer has the current obligation to pay for the goods;

3.24.1.5 The Company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods;

3.24.1.6 The Company has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind;

3.24.1.7 The company has transferred the main risks and rewards of the ownership of the goods to the customers, that is, the customers have obtained the main risks and rewards of the ownership of the goods;

3.24.1.8 The customer has accepted the goods or services.

3.24.2 Specific methods

The specific methods of the Company's revenue recognition are as follows:

3.24.2.1 Commodity sales contract

The sales contract between the Company and the customer includes the performance obligation of transferring the goods, which belongs to the performance obligation at a certain point in time.

Recognition of exporting revenue must meet the following conditions: The Company recognizes revenue for exporting goods based on the sales contracts or sales orders, regardless of the sales model adopted.

The Company has shipped the products according to the contract and gone through the customs declaration and export procedures; the payment for goods has been recovered or the receipt has been obtained, and the relevant economic benefits are likely to flow in; the main risks and rewards of the ownership of the goods have been transferred, and the legal ownership of the goods has been transferred.

Recognition of domestic sales product revenue must meet the following conditions: the Company has delivered the products to the customer according to the contract and the customer has accepted the products; the payment has been recovered or the receipt of payment has been obtained, and the relevant economic benefits are likely to flow in; the main risks and rewards of the ownership of the goods have been transferred, and the legal ownership of the goods has been transferred.

Treatment of sales return: according to the general rules of international trade, the adoption of FOB and CIF settlement indicates that the buyer has accepted the purchased goods at the place of shipment, and the relevant risks have been undertaken by the buyer after the acceptance and shipment. Therefore, the Company does not make provision for the above matters separately, but directly records them into the profits and losses in the current period.

Processing of product claims: the estimated claim expense rate is calculated based on the actual claim amount in the past two years (excluding special claims) as a percentage of the annual sales revenue, and accrued at period end based on the current sales revenue and the estimated claim expense rate to recognize the claim expenses for products sold in the current period.

3.24.2.2 Service contract

The performance obligation of the service contract between the Company and the customer. Since the customer obtains and consumes the economic benefits brought by the Company’s performance at the same time as the Company fulfills the contract, the Company recognises it as a performance obligation performed within a certain period of time, and amortized equally during the service provision period.

3.24.2.3 Construction contract

For the performance obligation of the construction contract between the Company and the customer, since the customer can control the goods under construction in the process of the Company's performance, the Company takes it as the performance obligation to perform in a certain period of time, and recognizes the income according to the performance progress, except that the performance progress cannot be reasonably determined. The Company determines the progress of the performance of providing services in accordance with the output method. The progress of the performance shall be determined according to the proportion of the completed contract workload to the expected total contract workload. On the balance sheet date, the Company re-estimates the progress of completed performance or completed services to reflect the changes in performance.

3.25 Government Grants

3.25.1 Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

3.25.1.1 The Company will comply with the conditions attaching to them; and

3.25.1.2 The grants will be received.

3.25.2 Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable. The non-monetary grants from the government shall be measured at their fair value or at the nominal value of CNY 1.00 when reliable fair value is not available.

3.25.3 Accounting for government grants

3.25.3.1 Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. The government subsidies related to assets offset the book value of related assets, and shall be recognised in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognised in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

3.25.3.2 Government grants related to income

Government grants not related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following criteria:

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants shall be recognised as deferred income and included into profit or loss in the same period as the relevant expenses or losses are recognised;

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognised into current profit or loss (or write down related expenses).

For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different parts, the government grants are accounted for as government grants related to income as a whole.

Government grants related to daily operation activities are recognised in other income in accordance with the nature of the activities, and government grants irrelevant to daily operation activities are recognised in non-operating income.

3.25.3.3 Repayment of the government grants

Repayment of the government grants shall be recorded by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, any excess will be recognised into current profit or loss; or directly recognised into current profit or loss for other circumstances.

3.26 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the balance sheet date. The Company recognise and measure the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

3.26.1 Recognition of deferred tax assets

Deferred tax assets should be recognised for deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits can be utilised at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination; and
- At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, associates, and joint ventures, only to the extent that, it is probable that:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognises a previously unrecognised deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

3.26.2 Recognition of deferred tax liabilities

A deferred tax liability shall be recognised for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled.

3.26.2.1 No deferred tax liability shall be recognised for taxable temporary differences arising from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither

accounting profit nor tax loss.

3.26.2.2 An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that both of the following conditions are satisfied:

- The Company is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

3.26.3 Recognition of deferred tax liabilities or assets involved in special transactions or events

3.26.3.1 Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognised, and simultaneously, goodwill recognised in the business combination shall be adjusted based on relevant deferred tax expense (or income).

3.26.3.2 Items directly recognised in equity

Current tax and deferred tax related to items that are recognised directly in equity shall be recognised in equity. Such items include: other comprehensive income generated from fair value fluctuation of available for sale investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

3.26.3.3 Unused tax losses and unused tax credits

3.26.3.3.1 Unsused tax losses and unused tax credits generated from daily operation of the Company itself

Deductible loss refers to the loss calculated and permitted according to the requirement of tax law that can be offset against taxable income in future periods. The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognising deferred tax assets arising from deductible temporary differences. The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. Income taxes in current profit or loss shall be deducted as well.

3.26.3.3.2 Unsused tax losses and unused tax credits arising from business combination

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognised. Within 12 months after the acquisition date, if new information regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realised, the Company shall recognise acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any remaining deferred tax benefits shall be recognised in profit or loss. All other acquired deferred tax benefits realised shall be recognised in profit or loss.

3.26.3.4 Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognised in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognised directly in equity and business combination.

3.26.3.5 Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognised according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognised when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognised according to the accounting standards, the tax effect of the excess amount shall be recognised directly in equity.

3.27 Leases

3.27.1 Identification of a lease

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the identified asset

3.27.2 Identification of separate leases

If a contract contains multiple separate leases, the Company divides the contract and perform separate accounting treatment for each separate lease. The right to use an identified asset is a separate lease component if simultaneously:

a) the lessee can benefit from use of the asset either on its own or together with other resources that are readily available to the lessee; and

b) the asset is neither highly dependent on, nor highly interrelated with, other assets in the contract.

3.27.3 Accounting treatment of a lease in which the Company is the lessee

On its commencement date, the Company recognizes a lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease, and recognizes a lease for which the underlying asset is of low value when it is brand new as a lease of a low-value asset. If the Company subleases an asset leased, or expects to sublease an asset leased, the head lease does not qualify as a lease of a low-value asset.

For short-term leases and leases of a low-value asset, the Company chooses not to recognize the right-of-use assets and lease liabilities, and to, within the lease term, recognize such leases in the costs of relevant assets or profit or loss for the current period.

Except for short-term leases and leases of low-value assets, which are treated using a simplified approach, for each lease, the Company recognizes the right-of-use assets and lease liabilities on the commencement date of the lease term.

a) Right-of-use assets

A right-of-use asset refers to the lessee's right to use the leased asset during the lease term.

On the commencement date of the lease term, a right-of-use asset is initially measured at cost. The cost comprises:

A. the amount of the initial measurement of the lease liability;

B. any lease payments made on or before the commencement date, less any lease incentives received;

C. any initial direct costs incurred by the lessee; and

D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company recognizes and measures the costs according to the recognition standard and measurement method applicable to expected liabilities. Costs that are incurred to produce inventories are included into the cost of inventories.

A right-of-use asset is depreciated on a straight-line basis. If it is impossible to reasonably determine that the ownership of the leased asset will be acquired when the lease term expires, the depreciation life of a right-of-use asset shall be the lease term or the remaining service life of the leased asset, whichever is shorter.

b) Lease liabilities

Lease liabilities shall be initially measured at the present value of the lease payments which have not been made by the lease commencement date. Lease payments include:

A. fixed payments and in-substance fixed payments, less any lease incentives receivable;

B. variable lease payments that depend on an index or a rate;

C. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;

D. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and

E. amounts expected to be payable under residual value guarantees provided by the lessee.

When the present value of lease payments is calculated, the lease payments are discounted using the interest rate implicit in the lease, or, if that rate can be determined, using the Company's incremental borrowing rate / the loan interest rate quoted in the market in the same period. The difference between the amount of lease payments and their present value is regarded as unrecognized financing expenses, and interest expenses are recognized using the discount rate of the recognized present value of lease payments during each period of the lease term and recognized in profit and loss for the current period. Variable lease payments not included in the measurement of the lease liability are recognized in profit and loss for the current period when actually incurred.

After the lease commencement date, the Company remeasures the lease liability at the changed present value of lease payments and adjusts the book value of the right-of-use asset when any change occurs in in-substance fixed payments, in amounts expected to be payable under residual value guarantees, in the index or rate used to determine the lease payments, or in the result of assessment or actual exercise of the purchase option, renewal option or termination option.

3.27.4 Accounting treatment of a lease in which the Company is the lessor

On the lease commencement date, the lease amount is recognized in profit or loss for the current period in stages on a straight-line basis during the lease term.

3.27.5 Accounting treatment of lease modifications

a) Lease modifications accounted for as a separate lease

The Company accounts for a lease modification as a separate lease if simultaneously:

A. the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

B. the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price.

b) Lease modifications not accounted for as a separate lease

A. The Company is the lessee

On the effective date of the lease modification, the Company re-determines the lease term and remeasure the lease liability by discounting the revised lease payments after the modification using a revised discount rate. When the present value of lease payments after the modification is calculated, the discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or, if that rate can be determined, the incremental borrowing rate on the effective date of the lease modification.

As for the impact of the said adjustment to the lease liability, accounting treatment shall be conducted as follows:

The Company decreases the carrying amount of the right-of-use asset for lease modifications that decrease the scope of the lease or shorten the lease term, and recognize in profit or loss for the current period any gain or loss relating to the partial or full termination of the lease;

The Company makes corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

B. The Company is the lessor

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.28 Significant account judgment and estimates

The Company continuously evaluates the important accounting estimates and key assumptions adopted based on historical experience and other factors, including reasonable expectations of future events. Important accounting estimates and key assumptions that are likely to lead to significant adjustment risk of the book value of assets and liabilities in the next accounting year are listed as follows:

3.28.1 Classification of financial assets

The significant judgments involved in determining the classification of financial assets include the analysis of business model and contract cash flow characteristics.

The Company determines the business model of managing financial assets at the level of financial asset portfolio, which considers factors including the price evaluation and the reporting method of the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, as well as the method for relevant business management personnel to obtain remuneration, and so on.

When evaluating whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Company has the following significant judgments: whether the principal may be due to early repayment and other reasons, which may lead to changes in the time distribution or amount during the duration; whether the interest only includes the time value of money, credit risk, other basic borrowing risks, and the consideration of costs and profits. For example, does the early repayment reflect only the unpaid principal and the interest based on the unpaid principal, as well as the reasonable compensation paid for early termination of the contract.

3.28.2 Measurement of expected credit losses of accounts receivable

The company uses accounts receivable default exposure and expected credit loss rate to calculate the expected credit loss of accounts receivable, and determines the expected credit loss rate based on the default probability and default loss rate. When determining the expected credit loss rate, the Company uses internal historical credit loss and other data, combined with current conditions and forward-looking information to adjust the historical data. When considering forward-looking information, the indicators used by the Company include the risk of economic downturn, changes in the external market environment, technological environment, and customer conditions. The Company regularly monitors and reviews assumptions related to the calculation of expected credit losses.

3.28.3 Impairment of inventories

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regards of inventories, and makes impairment provision for the inventories that have higher costs than net realizable value, as well as obsolete and slow-movement inventories. Inventory impairment to net realizable value is based on assessing the saleability of inventories and their net realizable value. Appraisal of inventory impairment requires management to make judgments and estimates on the basis of obtaining conclusive evidence, and considering the purpose of holding inventory, the impact of post balance sheet events and other factors. The difference between the actual results and the original estimates shall have impact on the book value of the inventories and the reversal of the impairment provisions during the period when the estimates are change.

3.28.4 The fair value of financial instruments

For financial instruments without active trading market, the Company determines their fair value through various valuation methods. The valuation methods include discounted cash flow model analysis and other. During the valuation, the Company shall estimate the future cash flows, credit risks, market volatility and correlation, and select the appropriate discount rate. Such assumptions are uncertain and their changes shall have impact on the fair value of financial instruments. If the equity instrument investment or contract has a public offer, the Company does not take the cost as the best estimate of its fair value.

3.28.5 Impairment of non-current assets

The Company accesses whether there are signs of possible impairment of non-current assets other than financial assets on the balance sheet date. For intangible assets with uncertain service lives, additional impairment tests are carried out in addition to the annual impairment test when there are signs of impairment. Other non-current assets other than financial assets shall be tested for impairment when there are indications that their book value are not recoverable.

Impairment exists when the book value of the asset or asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value minus the disposal expenses and the present value of the estimated future cash flow.

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 on the output, selling price, related operating costs of the asset (or asset group) and the discount rate used in calculating the present value. The Company shall use all relevant information available, including the forecast of production, selling price and related operating costs based on reasonable and supportable assumptions to estimate the recoverable amount.

The Company tests for goodwill impairment at least annually. This requires estimations of the present value of the future cash flow of the asset group or combination of asset groups to which goodwill is allocated. When predicting the present value of the future cash flows, the Company needs to predict the cash flows generated by the future asset group or the combination of asset groups, and select the appropriate discount rate to determine the present value of the future cash flow.

3.28.6 Depreciation and amortization

The Company shall depreciate or amortise the investment properties, fixed assets and intangible assets using the straight-line method within their service lives after considering their residual value. The Company regularly reviews their service lives to determine the depreciation and amortization expenses charged in each reporting period. The Company determines the useful lives based on historical experience of similar assets and the estimated technical update. If there is indication that there has been a significant change in the factor used to determine the depreciation or amortization, the depreciation and amortization expenses will be adjusted in future periods.

3.28.7 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.

3.28.8 Income tax

In the Company's normal operating activities, there are some transactions where ultimate tax treatments and calculations are uncertain. 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.

3.28.9 Internal retirement benefits and supplementary retirement benefits

The amount of internal retirement benefits and supplementary retirement benefits expenses and liabilities of the Company is determined based on various assumptions. These assumptions include discount rates, growth rates for average medical expenses, growth rates for retired and retired personnel subsidies, and other factors. Differences between the actual results and assumptions will be confirmed immediately when incurred and included in the current year's expenses. Although the management believes that reasonable assumptions have been adopted, changes in actual experience values and assumptions will still affect the Company's internal retirement benefits and supplementary retirement benefits expenses and balance of liabilities.

3.29 Changes in Significant Accounting Policies and Accounting Estimates

3.29.1 Significant changes in accounting polices

Carrying out the provisions of "Accounting treatment for the income tax impact of dividends from financial instruments classified as equity instruments by the issuer" and "Accounting treatment on the modification of cash-settled share-based payment to equity-settled share-based payment" stipulated in "Interpretation of Accounting Standards for Business Enterprises No. 16".

Carrying out the provisions regarding the accounting treatment of the modification by an enterprise of share-based payments settled in cash to share-based payments settled in

equity, as stipulated in *Accounting Standards for Business Enterprises No.16*.

On 30 November 2022, the Ministry of Finance issued Interpretation of *Accounting Standards for Business Enterprises No.16 (Caikuai[2022] No.31)* (hereinafter referred to as "Interpretation No.16"), in which the provision of "Accounting treatment for the income tax impact of dividends from financial instruments classified as equity instruments by the issuer" and "Accounting treatment on the modification of cash-settled share-based payment to equity-settled share-based payment" shall be implemented at the date of issuance.

There are not any significant impacts on the Company’s financial statements during the reporting period for the implementation of Interpretation No.16.

3.29.2 Significant changes in accounting estimates

The Company has no significant changes in accounting estimates for the reporting period.

4. Taxation

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate %
Value added tax (VAT)	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	0, 1, 5, 6, 9, 10, 11, 13
Urban maintenance and construction tax	Payable turnover tax, tax exemption	7, 5
Educational surcharge	Payable turnover tax, tax exemption	3
Local education surcharge	Payable turnover tax, tax exemption	2
Enterprise income tax	Taxable profits	25, 22, 20, 15

4.2 Tax rates of income tax of different subsidiaries are stated as below:

4.2.1 TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL)

Categories of tax	Basis of tax assessment	Tax rate %
Value added tax	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	5, 6, 9, 13

Categories of tax	Basis of tax assessment	Tax rate %
Urban maintenance and construction tax	Payable turnover tax, tax exemption	5
Educational surcharge	Payable turnover tax, tax exemption	3
Local education surcharge	Payable turnover tax, tax exemption	2
Enterprise income tax	Taxable profits	15

The export sales of products and raw materials are subject to tax exemption, credit and refund policies, and the value-added tax rate is 0%.

4.2.2 TsannKuen China (Shanghai) Enterprise Co., Ltd. (hereafter, TKS)

Categories of tax	Basis of tax assessment	Tax rate %
Value added tax	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	5, 9, 13
Urban maintenance and construction tax	Payable turnover tax, tax exemption	5
Educational surcharge	Payable turnover tax, tax exemption	3
Local education surcharge	Payable turnover tax, tax exemption	2
Enterprise income tax	Taxable profits	25

4.2.3 Xiamen Tsannkuen Property Services Co., Ltd. (hereafter, TKW)

Categories of tax	Basis of tax assessment	Tax rate %
Value added tax	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	0, 1, 5
Enterprise income tax	Taxable profits	20

4.2.4 Pt.Star Comgistic Indonesia (hereafter, SCI)

Categories of tax	Basis of tax assessment	Tax rate %
Value added tax	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	11
Enterprise income tax	Taxable profits	22

4.3 Preferential tax policy

According to the Announcement of the Ministry of Finance and the State Administration of

Taxation on Clarifying the Policies of VAT Exemption for Small-scale Taxpayers (Announcement No. 1 [2023] of the Ministry of Finance and the State Taxation Administration), TKW will be subject to a VAT tax rate of 3% and a tax rate of 1% during the period from 1 January 2023 to 31 December 2023.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	30 June 2023	1 January 2023
Cash on hand	694,389.02	843,413.66
Cash in bank	433,304,758.29	574,436,355.52
Other monetary funds	2,873,993.56	1,588,060.59
Total	436,873,140.87	576,867,829.77
Including：The total amount deposited overseas	42,081,503.73	45,070,898.68

Of the other monetary funds, CNY 2,803,727.37 is the margin deposited by TKL for opening a letter of credit, and CNY 70,266.19 is the balance of the company's Alipay account. Except for the margin deposited for opening a letter of credit, there are no other funds in monetary funds at the end of the period with restricted use rights or potential recovery risks due to mortgage, pledge or freeze.

5.2 Held-for-trading financial assets

Items	30 June 2023	1 January 2023
Financial assets measured at fair value through Profit or Loss	570,878,663.89	569,493,788.89
Including: Derivative financial assets	25,900.00	1,138,900.00
Structured Deposit Investment	570,852,763.89	568,354,888.89
Total	570,878,663.89	569,493,788.89

Note: Derivative financial is forward foreign exchange settlement and sale contracts signed by the Company with financial institutions.

5.3 Accounts Receivables

5.3.1 Accounts receivable by aging

Aging	30 June 2023	1 January 2023
Within one year	146,771,575.87	97,042,217.74
Including: Within 90 days	138,715,953.14	92,464,137.64
91 – 180 days	8,023,977.92	4,291,123.54
181 – 270 days	11,644.81	286,956.56
271 – 365 days	20,000.00	0.00
1-2 years	0.00	9,677.56
2-3 years	20,418.08	110,740.52
3-4 years	100,000.00	0.00
4-5 years	0.00	0.00
Over 5 years	5,000.00	5,000.00
Subtotal	146,896,993.95	97,167,635.82
Less: provision for bad debt	1,216,204.42	1,216,752.94
Total	145,680,789.53	95,950,882.88

5.3.2 Accounts receivable by bad debt provision method

Category	30 June 2023				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	0.00	0.00	0.00	0.00	0.00
Provision for bad debt recognized collectively	146,896,993.95	100.00	1,216,204.42	0.83	145,680,789.53
Including: Portfolio by age	146,338,556.67	99.62	1,216,204.42	0.83	145,122,352.25
Portfolio by related parties	558,437.28	0.38	0.00	0.00	558,437.28
Total	146,896,993.95	100.00	1,216,204.42	0.83	145,680,789.53

(Continued)

Category	1 January 2023				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	0.00	0.00	0.00	0.00	0.00
Provision for bad debt recognized collectively	97,167,635.82	100.00	1,216,752.94	1.25	95,950,882.88
Including: Portfolio by age	96,070,918.17	98.87	1,216,752.94	1.27	94,854,165.23
Portfolio by related parties	1,096,717.65	1.13	0.00	0.00	1,096,717.65
Total	97,167,635.82	100.00	1,216,752.94	1.25	95,950,882.88

Specific instructions for provision for bad debts:

Accounts receivables with bad debt provision are recognised by portfolio by age

Aging	30 June 2023		
	Book balance	Provision for bad debt	Provision ratio (%)
Not overdue	136,936,228.55	687,819.78	0.50
Overdue 1 – 30 days	8,854,696.23	398,461.36	4.50
Overdue 31 – 60 days	522,084.21	104,416.85	20.00
Overdue 61 – 90 days	75.00	33.75	45.00
Overdue more than 90 days	25,472.68	25,472.68	100.00
Total	146,338,556.67	1,216,204.42	0.83

(Continued)

Aging	1 January 2023		
	Book balance	Provision for bad debt	Provision ratio (%)
Not overdue	88,212,429.63	441,062.13	0.50
Overdue 1 – 30 days	6,748,662.10	303,689.81	4.50
Overdue 31 – 60 days	797,281.80	159,456.36	20.00
Overdue 61 – 90 days			
Overdue more than 90 days	312,544.64	312,544.64	100.00
Total	96,070,918.17	1,216,752.94	1.27

Accounts receivables with bad debt provision are recognised by portfolio by related parties

Accounts Receivables	30 June 2023			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason for provision
Portfolio by related parties	558,437.28	0.00	0.00	
Total	558,437.28	0.00	0.00	

(Continued)

Accounts Receivables	1 January 2023			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason for provision
Portfolio by related parties	1,096,717.65	0.00	0.00	
Total	1,096,717.65	0.00	0.00	

Basis for the amount of bad debt provision in the current period:

Refer to Note 3.9 for the recognition criteria and explanation of the provision for bad debts based on groups.

5.3.3 Changes of provision for bad debt during the reporting period

Category	1 January 2023	Changes during the reporting period				30 June 2023
		Provision	Recovery or reversal	Write-off	Other	
Provision for bad debt by group	1,216,752.94	2,526,787.07	2,539,808.21	0.00	-12,472.62	1,216,204.42
Total	1,216,752.94	2,526,787.07	2,539,808.21	0.00	-12,472.62	1,216,204.42

5.3.4 There is no accounts receivable written-off during the reporting period

5.3.5 Top five closing balances by entity

Entity	Accounts receivable	Proportion (%)	Bad debt provision
No. 1	37,825,500.06	25.75	194,455.77
No. 2	25,629,687.05	17.45	169,036.13
No. 3	21,798,732.57	14.84	108,993.67
No. 4	15,873,052.21	10.81	79,365.26
No. 5	7,536,764.54	5.13	255,976.26
Total	108,663,736.43	73.98	807,827.09

5.4 Advances to Suppliers

5.4.1 Advances to suppliers by aging

Aging	30 June 2023		1 January 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	2,495,039.63	99.15	4,050,633.59	100.00
1-2 years	21,407.77	0.85	0.00	0.00
Total	2,516,447.40	100.00	4,050,633.59	100.00

5.4.2 Top five closing balances by entity

The total amount of the top five vendors with the largest prepaid amounts by the Company at the end of the reporting period is CNY 1,549,266.81, accounting for 61.57% of the total amount of the prepayment at the end of the reporting period.

5.5 Other Receivables

5.5.1 Other receivables by category

Items	30 June 2023	1 January 2023
Interest receivable	0.00	0.00
Dividend receivable	0.00	0.00
Other receivables	13,483,847.76	15,425,312.61
Total	13,483,847.76	15,425,312.61

5.5.2 Interest receivable

None

5.5.3 Dividends receivable

None

5.5.4 Other Receivables

5.5.4.1 Other receivables by aging

Aging	30 June 2023	1 January 2023
Within one year	12,432,954.84	14,220,711.94
Including: Within 90 days	11,926,091.80	14,054,615.52
91 – 180 days	309,408.04	125,742.31
181 – 270 days	111,700.00	30,000.00
271 – 365 days	85,755.00	10,354.11
1-2 years	81,560.16	325,368.70
2-3 years	40,000.00	15,000.00
3-4 years	0.00	
4-5 years	0.00	50,000.00
Over 5 years	1,124,088.06	1,167,252.13
Subtotal	13,678,603.06	15,778,332.77
Less: provision for bad debt	194,755.30	353,020.16
Total	13,483,847.76	15,425,312.61

5.5.4.2 Other receivables by nature

Nature	30 June 2023	1 January 2023
Export tax refund	6,500,000.00	8,000,401.16
Other open credits	5,944,292.62	6,301,879.48
Deposit	1,234,310.44	1,476,052.13
Due from related parties	0.00	0.00
Subtotal	13,678,603.06	15,778,332.77
Less: Provision for bad debt	194,755.30	353,020.16
Total	13,483,847.76	15,425,312.61

5.5.4.3 Other receivables by provision for bad debt

	Stage 1	Stage 2	Stage 3	
Provision for bad debt	Expected credit loss for the next 12 months	Expected credit loss for the whole duration (no credit impairment)	Expected credit loss for the whole duration (Credit impairment has occurred)	Total
Closing balance as of 1/1/2023	353,020.16	0.00	0.00	353,020.16
Carrying amount of other receivables in current period on 1/1/2023	——	——	——	——

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
Transfer to stage 2	0.00	0.00	0.00	0.00
Transfer to stage 3	0.00	0.00	0.00	0.00
Transfer back to stage 2	0.00	0.00	0.00	0.00
Transfer back to stage 1	0.00	0.00	0.00	0.00
Recognition	89,553.67	0.00	0.00	89,553.67
Reversal	247,818.53	0.00	0.00	247,818.53
Used	0.00	0.00	0.00	0.00
Written off	0.00	0.00	0.00	0.00
Other movements	0.00	0.00	0.00	0.00
Closing balance as of 30/6/2023	194,755.30	0.00	0.00	194,755.30

5.5.4.4 Provision for bad debt recognized, recovered or reversed

Category	1 January 2023	Changes during the reporting period				30 June 2023
		Provision	Recovery or reversal	Write-off	Other	
Provision for bad debt recognized individually	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt recognized by portfolio	353,020.16	89,553.67	247,818.53	0.00	0.00	194,755.30
Total	353,020.16	89,553.67	247,818.53	0.00	0.00	194,755.30

5.5.4.5 There are no other receivables write-off during the reporting period

5.5.4.6 Top five closing balances by entity

Entity name	Nature	Balance at 30 June 2023	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Zhangzhou Taiwan Investment zone Tax Bureau of SAT	Export tax refund	6,500,000.00	0-90 days	47.52	
China Export & Credit Insurance Corporation Fujian Branch	Deposit	648,450.00	Over 3 years	4.74	
PT. PLN (PERSERO)	Deposit	419,961.06	Over 3 years	3.07	
Zhangzhou Xincheng Metal Products Co., Ltd.	Utility rent	339,056.05	0-90 days	2.48	
Tsann Kuen (China) Enterprise Co., Ltd. (Alipay account)	Other open credits	284,755.00	0-180 days	2.08	6,275.50
Total		8,192,222.11		59.89	6,275.50

5.6 Inventories

5.6.1 Inventories by category

Items	30 June 2023			1 January 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw materials	69,387,581.67	8,551,078.64	60,836,503.03	81,697,745.57	10,439,601.05	71,258,144.52
Work in process	11,181,191.56	0.00	11,181,191.56	5,826,097.72	0.00	5,826,097.72
Self-manufactured semi-finished goods	34,035,271.08	3,190,665.10	30,844,605.98	25,687,483.15	2,723,371.49	22,964,111.66

Items	30 June 2023 Book balance	30 June 2023 Provision for impairment	30 June 2023 Carrying amount	1 January 2023 Book balance	1 January 2023 Provision for impairment	1 January 2023 Carrying amount
Finished goods	52,427,009.47	7,493,485.04	44,933,524.43	87,375,174.01	9,397,802.00	77,977,372.01
Low-value consumables	10,116,611.96	0.00	10,116,611.96	566,890.42	0.00	566,890.42
Materials in transit	3,084,956.41	0.00	3,084,956.41	1,472,812.16	0.00	1,472,812.16
Total	180,232,622.15	19,235,228.78	160,997,393.37	202,626,203.03	22,560,774.54	180,065,428.49

5.6.2 Provision for impairment

Item	1 January 2023	Increase in current year: Accrual	Increase in current year: Impact of changes in exchange rates	Decrease in current year: Recovered or Written off	Decrease in current year: Impact of changes in exchange rates	30 June 2023
Raw materials	10,439,601.05	19,330.53	0.00	1,992,578.69	-84,725.75	8,551,078.64
Work in process	0.00	0.00	0.00	0.00	0.00	0.00
Self-manufactured semi-finished goods	2,723,371.49	467,293.61	0.00	0.00	0.00	3,190,665.10
Finished goods	9,397,802.00	1,994,999.33	0.00	3,909,972.06	-10,655.77	7,493,485.04
Low-value consumables	0.00	0.00	0.00	0.00	0.00	0.00
Materials in transit	0.00	0.00	0.00	0.00	0.00	0.00
Total	22,560,774.54	2,481,623.47	0.00	5,902,550.75	-95,381.52	19,235,228.78

5.7 Other Current Assets

Items	30 June 2023	1 January 2023
Input tax to be deducted	13,855,022.41	11,522,932.71
Financial investment	470,078,488.30	417,328,986.66
Total	483,933,510.71	428,851,919.37

5.8 Other equity instrument investment

5.8.1 General information of other equity instrument investment

Items	30 June 2023	1 January 2023
Non-trading equity instrument investment	40,000.00	40,000.00
Total	40,000.00	40,000.00

5.9 Investment Properties

5.9.1 Investment properties accounted for using cost model

Items	Building and plants	Land use rights	Construction in progress	Total
Initial cost:				
Balance on 1 January 2023	65,737,686.21	29,260,577.51	0.00	94,998,263.72
Increase during the reporting period	0.00	0.00	0.00	0.00
1. Acquisition	0.00	0.00	0.00	0.00
2. Transfer from inventories /fixed assets /construction in progress	0.00	0.00	0.00	0.00
3. Impact of changes in exchange rate	0.00	0.00	0.00	0.00
Decrease during the reporting period	0.00	0.00	0.00	0.00

Items	Building and plants	Land use rights	Construction in progress	Total
1. Disposal	0.00	0.00	0.00	0.00
2. Other transferred out	0.00	0.00	0.00	0.00
3. Impact of changes in exchange rate	0.00	0.00	0.00	0.00
Balance on 30 June 2023	65,737,686.21	29,260,577.51	0.00	94,998,263.72
Accumulated depreciation and amortisation:				
Balance on 1 January 2023	59,065,304.18	16,784,761.24	0.00	75,850,065.42
Increase during the reporting period	30,888.66	311,055.90	0.00	341,944.56
1. Accrual or amortization	30,888.66	311,055.90	0.00	341,944.56
2. Transfer from fixed assets	0.00	0.00	0.00	0.00
3. Impact of changes in exchange rate	0.00	0.00	0.00	0.00
Decrease during the reporting 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
3. Impact of changes in exchange rate	0.00	0.00	0.00	
Balance on 30 June 2023	59,096,192.84	17,095,817.14	0.00	76,192,009.98
Provision for impairment:				
Balance on 1 January 2023	0.00	0.00	0.00	0.00
Increase during the reporting period	0.00	0.00	0.00	0.00
1. Accrual or amortization	0.00	0.00	0.00	0.00
Decrease during the reporting period	0.00	0.00	0.00	0.00
1. Disposal	0.00	0.00	0.00	0.00
2. Other	0.00	0.00	0.00	0.00
Balance on 30 June 2023	0.00	0.00	0.00	0.00
Carrying amount:				
Balance on 30 June 2023	6,641,493.37	12,164,760.37	0.00	18,806,253.74
Balance on 1 January 2023	6,672,382.03	12,475,816.27	0.00	19,148,198.30

5.9.2 Investment properties without certificate of title

Item	Carrying amount	Reason
Lvyuan three country villa	710,583.91	
Total	710,583.91	

Note: Lvyuan three country villa is the houses with limited property rights purchased by the TsannKuen China (Shanghai) Enterprise Co., Ltd. which is the subsidiary of the Company from Shanghai Lvsheng Real Estate Development Co., Ltd. in 1999, and there has no land expropriation. Shanghai Lvsheng Real Estate Development Co., Ltd. and Shanghai Jiading district, Huangdu town Lvyuan community residents' committees issued the certificate jointly to prove the right of this property belongs to TsannKuen China (Shanghai) Enterprise Co., Ltd. in January 2006.

5.10 Fixed Assets

5.10.1 Fixed assets by category

Items	30 June 2023	1 January 2023
Fixed assets	140,513,039.95	147,946,111.81
Disposal of fixed assets	0.00	0.00
Total	140,513,039.95	147,946,111.81

5.10.2 Fixed assets

5.10.2.1 General information of fixed assets

Items	Houses and buildings	Machineries	Electronic devices, modules and others	Vehicles	Improvement expense of fixed assets	Total
Initial cost:						
Balance on 1 January 2023	103,409,644.08	177,943,487.51	810,401,422.35	19,232,932.60	49,787,095.13	1,160,774,581.67
Increase during the reporting period	1,725,109.85	4,328,453.16	7,081,820.03	415,563.03	302,170.78	13,853,116.85
(i) Acquisition	0.00	0.00	126,960.19	265,486.72	0.00	392,446.91
(ii) Transfer from construction in progress	0.00	2,963,403.74	5,621,825.70	0.00	0.00	8,585,229.44
(iii) Transfer from investment properties	0.00	0.00	0.00	0.00	0.00	0.00
(iv) Impact of changes in exchange rates	1,725,109.85	1,365,049.42	1,333,034.14	150,076.31	302,170.78	4,875,440.50
Decrease during the reporting period	0.00	42,818,740.98	2,344,937.44	403,709.50	6,630,632.46	52,198,020.38
(i) Disposal	0.00	42,818,740.98	2,344,937.44	403,709.50	6,630,632.46	52,198,020.38
(ii) Transfer to investment properties	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Impact of changes in exchange rates	0.00	0.00	0.00	0.00	0.00	0.00
Balance on 30 June 2023	105,134,753.93	139,453,199.69	815,138,304.94	19,244,786.13	43,458,633.45	1,122,429,678.14
Accumulated depreciation:						
Balance on 1 January 2023	62,230,094.09	102,710,195.33	740,635,516.96	17,816,288.05	49,033,472.80	972,425,567.23
Increase during the reporting period	2,387,763.03	4,971,171.77	11,999,731.64	610,905.53	378,621.01	20,348,192.98
(i) Provision	1,746,379.00	4,037,386.47	10,975,052.95	472,724.07	100,991.07	17,332,533.56
(ii) Transfer from investment properties	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Impact of changes in exchange rates	641,384.03	933,785.30	1,024,678.69	138,181.46	277,629.94	3,015,659.42
Decrease during the reporting period	0.00	26,331,889.84	2,158,473.25	403,709.50	6,603,250.58	35,497,323.17
(i) Disposal	0.00	26,331,889.84	2,158,473.25	403,709.50	6,603,250.58	35,497,323.17
(ii) Transfer from investment properties	0.00	0.00	0.00	0.00	0.00	0.00
(iii) Impact of changes in exchange rates	0.00	0.00	0.00	0.00	0.00	0.00
Balance on 30 June 2023	64,617,857.12	81,349,477.26	750,476,775.35	18,023,484.08	42,808,843.23	957,276,437.04
Provision for impairment:						

Items	Houses and buildings	Machineries	Electronic devices, modules and others	Vehicles	Improvement expense of fixed assets	Total
Balance on 1 January 2023	0.00	21,850,745.19	18,505,584.02	8,319.24	38,254.18	40,402,902.63
Increase during the reporting period	0.00	418,226.22	397,007.66	210.91	407.88	815,852.67
(i) Provision	0.00	274,771.55	314,922.78	0.00	0.00	589,694.33
(ii) Impact of changes in exchange rates	0.00	143,454.67	82,084.88	210.91	407.88	226,158.34
Decrease during the reporting period	0.00	16,454,039.14	97,133.13	0.00	27,381.88	16,578,554.15
(i) Disposal	0.00	16,454,039.14	97,133.13	0.00	27,381.88	16,578,554.15
Balance on 30 June 2023	0.00	5,814,932.27	18,805,458.55	8,530.15	11,280.18	24,640,201.15
Carrying amount:						
Balance on 30 June 2023	40,516,896.81	52,288,790.16	45,856,071.04	1,212,771.90	638,510.04	140,513,039.95
Balance on 1 January 2023	41,179,549.99	53,382,546.99	51,260,321.37	1,408,325.31	715,368.15	147,946,111.81

5.10.2.2 Idle fixed assets

Item	Initial cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machineries	3,590,508.66	1,995,491.49	1,104,214.70	490,802.47
Electronic device, modules, and others	2,263,753.31	1,938,299.05	319,807.62	5,646.64
Vehicles	295,047.59	295,047.59	0.00	0.00
Improvement expense of fixed assets	6,812,379.58	6,812,379.58	0.00	0.00
Total	12,961,689.14	11,041,217.71	1,424,022.32	496,449.11

5.10.2.3 Fixed assets without certificate of title

Items	Carrying amount	Reason
Jingying garden	95,034.46	Legal procedures in process
Lvyuan three country villa	129,197.08	

Note: Lvyuan three country villa is the houses with limited property rights purchased by the TsannKuen China (Shanghai) Enterprise Co., Ltd. which is the subsidiary of the Company from Shanghai Lvsheng Real Estate Development Co., Ltd. in 1999, and there has no land expropriation. Shanghai Lvsheng Real Estate Development Co., Ltd. and Shanghai Jiading district, Huangdu town Lvyuan community residents' committees issued the certificate jointly to prove the right of this property belongs to TsannKuen China (Shanghai) Enterprise Co., Ltd. in January 2006.

5.11 Construction in Progress

5.11.1 Construction in progress by category

Items	30 June 2023	1 January 2023
Construction in progress	10,200,641.01	2,656,954.05
Total	10,200,641.01	2,656,954.05

5.11.2 Construction in progress

5.11.2.1 General information of construction in progress

Items	30 June 2023			1 January 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Sporadic project	628,204.10	0.00	628,204.10	772,770.46	0.00	772,770.46
Equipment pending acceptance	9,572,436.91	0.00	9,572,436.91	1,884,183.59	0.00	1,884,183.59
Total	10,200,641.01	0.00	10,200,641.01	2,656,954.05	0.00	2,656,954.05

5.12 Right-of-use Assets

Items	Houses and buildings	Vehicles	Total
Initial cost:			
Balance on 1 January 2023	560,915,515.04	0.00	560,915,515.04
Increase during the reporting period	0.00	0.00	0.00
(i) Leases	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Decrease during the reporting period	0.00	0.00	0.00
(i) Disposal	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Balance on 30 June 2023	560,915,515.04	0.00	560,915,515.04
Accumulated depreciation:			
Balance on 1 January 2023	35,278,378.20	0.00	35,278,378.20
Increase during the reporting period	9,151,332.12	0.00	9,151,332.12
(i) Provision	9,151,332.12	0.00	9,151,332.12
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Decrease during the reporting period	0.00	0.00	0.00
(i) Disposal	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Balance on 30 June 2023	44,429,710.32	0.00	44,429,710.32
Accumulated depreciation:			
Balance on 1 January 2023	0.00	0.00	0.00
Increase during the reporting period	0.00	0.00	0.00
(i) Provision	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Decrease during the reporting period	0.00	0.00	0.00
(i) Disposal	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Balance on 30 June 2023	0.00	0.00	0.00
Carrying amount:			

Items	Houses and buildings	Vehicles	Total
Balance on 30 June 2023	516,485,804.72	0.00	516,485,804.72
Balance on 1 January 2023	525,637,136.84	0.00	525,637,136.84

5.13 Intangible Assets

5.13.1 General information of intangible assets

Items	Land use rights	Software	Total
Initial cost:			
Balance on 1 January 2023	18,877,216.55	53,703,759.54	72,580,976.09
Increase during the reporting period	1,038,648.54	77,669.90	1,116,318.44
(i) Acquisition	0.00	77,669.90	77,669.90
(ii) Impact of changes in exchange rates	1,038,648.54	0.00	1,038,648.54
Decrease during the reporting period	0.00	0.00	0.00
(i) Disposal	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Balance on 30 June 2023	19,915,865.09	53,781,429.44	73,697,294.53
Accumulated depreciation:			
Balance on 1 January 2023	6,151,357.80	48,460,729.89	54,612,087.69
Increase during the reporting period	621,403.12	2,368,660.05	2,990,063.17
(i) Provision	416,820.22	2,368,660.05	2,785,480.27
(ii) Impact of changes in exchange rates	204,582.90	0.00	204,582.90
Decrease during the reporting period	0.00	0.00	0.00
(i) Disposal	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Balance on 30 June 2023	6,772,760.92	50,829,389.94	57,602,150.86
Accumulated depreciation:			
Balance on 1 January 2023	0.00	0.00	0.00
Increase during the reporting period	0.00	0.00	0.00
(i) Provision	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Decrease during the reporting period	0.00	0.00	0.00
(i) Disposal	0.00	0.00	0.00
(ii) Impact of changes in exchange rates	0.00	0.00	0.00
Balance on 30 June 2023	0.00	0.00	0.00
Carrying amount:			
Balance on 30 June 2023	13,143,104.17	2,952,039.50	16,095,143.67
Balance on 1 January 2023	12,725,858.75	5,243,029.65	17,968,888.40

5.14 Long-term Deferred Expenses

Items	1 January 2023	Increase during the reporting period	Amortisation	Other decrease	30 June 2023
Telecommunications project expenses	14,306.74	0.00	8,584.08	0.00	5,722.66
Houses and buildings renovation expenses	8,931,746.98	1,106,373.67	1,776,867.59	0.00	8,261,253.06
Total	8,946,053.72	1,106,373.67	1,785,451.67	0.00	8,266,975.72

5.15 Deferred Tax Assets and Deferred Tax Liabilities

5.15.1 Deferred tax assets before offsetting

Items	30 June 2023		1 January 2023	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	34,802,016.25	5,497,927.21	54,779,559.38	9,123,516.27
Provision for credit impairment	1,063,789.69	170,172.22	1,350,615.63	219,481.38
Use rights assets	23,075,170.76	3,460,917.47	18,670,852.22	2,800,627.82
Unrealized intragroup profit	447,611.92	111,902.95	360,395.40	90,098.85
Accrued expenses	9,120,495.61	1,491,231.65	8,960,731.00	1,444,532.40
Undistributed deficit	1,934,921.26	483,730.32		
Financial liabilities held for trading	2,869,500.00	430,425.00		
Total	73,313,505.49	11,646,306.82	84,122,153.63	13,678,256.72

5.15.2 Deferred tax liabilities before offsetting

Items	30 June 2023		1 January 2023	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Policy relocation	84,032,696.08	21,008,174.02	84,032,696.08	21,008,174.02
Financial assets held for trading	4,011,386.11	601,707.92	4,493,788.89	750,939.17
Accelerated depreciation of fixed assets	16,537,515.30	2,480,627.30	16,491,554.88	2,473,733.23
Total	104,581,597.49	24,090,509.24	105,018,039.85	24,232,846.42

5.15.3 Unrecognized deferred tax assets

Items	30 June 2023	1 January 2023
Provision for asset impairment	9,073,413.68	8,184,117.80
Provision for credit impairment	347,170.03	219,157.47
Accrued expenses	5,674,054.96	7,015,412.51
Payroll liability	12,321,581.16	11,247,362.19
Undistributed deficit	70,208,609.05	70,208,609.05
Total	97,624,828.88	96,874,659.02

5.16.4 Deductible losses not recognised as deferred tax assets will expire in the following periods:

Items	30 June 2023	1 January 2023
Year 2023	15,495,274.18	15,495,274.18
Year 2024	14,387,986.24	14,387,986.24
Year 2025	1,829,557.47	1,829,557.47
Year 2026	7,540,562.18	7,540,562.18
Year 2027 to year 2032	30,955,228.98	30,955,228.98
Total	70,208,609.05	70,208,609.05

5.16 Other Non-current Assets

Items	30 June 2023			1 January 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepaid mold fee	5,025.64	0.00	5,025.64	11,500.00	0.00	11,500.00
Prepaid equipment fee	415,090.00	0.00	415,090.00	802,012.56	0.00	802,012.56
Total	420,115.64	0.00	420,115.64	813,512.56	0.00	813,512.56

5.17 Short-term Borrowings

5.17.1 Disclosure of short-term borrowings by category

Items	30 June 2023	1 January 2023
Credit loan	21,732,664.00	0.00
Total	21,732,664.00	0.00

5.18 Held-for-Trading Financial Liabilities

Items	30 June 2023	1 January 2023
Held-for-trading financial liabilities	2,869,500.00	0.00
Including: Derivative financial liabilities	2,869,500.00	0.00
Total	2,869,500.00	0.00

Note: Derivative financial liabilities are forward foreign exchange settlement/sale contracts signed by the Company with the financial institutions.

5.19 Notes Payable

Items	30 June 2023	1 January 2023
Bank acceptance bills	4,134,280.48	2,630,056.46
Total	4,134,280.48	2,630,056.46

Note: There are no expired notes payable that have not been paid as at the end of current year.

5.20 Accounts Payable

5.20.1 Accounts payable by nature

Items	30 June 2023	1 January 2023
Within 1 year	331,679,017.28	392,695,758.24
Over 1 year	4,110,536.14	6,259,391.99
Total	335,789,553.42	398,955,150.23

5.20.2 Significant accounts payable with aging of over one year

Items	30 June 2023	Reason
Ningbo Chaochao Electrical Equipment Co., Ltd.	500,237.01	Quality disputes
Total	500,237.01	

5.21 Advances from Customers

5.21.1 Details of advances from customers

Items	30 June 2023	1 January 2023
Within 1 year	4,248,474.36	4,555,321.32
Over 1 year	1,591,486.66	3,325,097.52
Total	5,839,961.02	7,880,418.84

5.22 Contract Liabilities

5.22.1 Details of contract liabilities

Items	30 June 2023	1 January 2023
Within 1 year	11,895,219.15	17,341,385.46
Over 1 year	7,208,423.89	4,181,222.58
Total	19,103,643.04	21,522,608.04

5.23 Employee Benefits Payable

5.23.1 Details of employee benefits payable

Items	1 January 2023	Increase during the reporting period	Decrease during the reporting period	30 June 2023
Short-term employee benefits	41,875,000.77	118,075,837.68	119,777,401.25	40,173,437.20
Post-employment benefits-defined contribution plans	72,198.61	7,649,573.18	7,711,558.49	10,213.30
Termination benefits	0.00	0.00	0.00	0.00
Other benefits due within one year	0.00	0.00	0.00	0.00
Total	41,947,199.38	125,725,410.86	127,488,959.74	40,183,650.50

5.23.2 Short-term employee benefits

Items	1 January 2023	Increase during the reporting period	Decrease during the reporting period	30 June 2023
Salaries, bonuses, allowances and subsidies	28,306,162.35	102,096,480.15	105,317,903.93	25,084,738.57
Employee benefits	0.00	6,197,853.08	5,043,390.73	1,154,462.35
Social insurance	20,381.60	5,591,042.61	5,604,877.71	6,546.50
Including: Health insurance	6,931.52	4,125,309.28	4,126,050.90	6,189.90
Injury insurance	13,450.08	1,173,265.90	1,186,359.38	356.60
Birth insurance	0.00	292,467.43	292,467.43	0.00
Housing accumulation fund	11,252,090.19	3,974,226.52	2,900,446.55	12,325,870.16
Labour union funds and employee education funds	0.00	201,452.50	201,452.50	0.00
Short-term absence pay	2,296,366.63	14,782.82	709,329.83	1,601,819.62
Total	41,875,000.77	118,075,837.68	119,777,401.25	40,173,437.20

5.23.3 Defined contribution plans

Items	1 January 2023	Increase during the reporting period	Decrease during the reporting period	30 June 2023
Basic endowment insurance	71,856.51	7,252,891.98	7,314,844.69	9,903.80
Unemployment insurance	342.10	396,681.20	396,713.80	309.50
Total	72,198.61	7,649,573.18	7,711,558.49	10,213.30

Note: The Company participates in the endowment insurance and unemployment insurance plan established by the government, according to these plans, the Company pays planed fees to the Company’s 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.

5.24 Taxes Payable

Items	30 June 2023	1 January 2023
Enterprise income tax	28,680,649.70	35,271,667.38

Items	30 June 2023	1 January 2023
Value added tax (VAT)	758,932.65	1,286,227.97
Individual income tax	464,080.50	556,713.88
Educational surcharge	434,650.52	362,185.92
City construction tax	434,650.54	376,322.10
Other	4,557,861.98	1,573,439.94
Total	35,330,825.89	39,426,557.19

5.25 Other Payables

5.25.1 Other payables by category

Items	30 June 2023	1 January 2023
Interest payable	0.00	0.00
Dividend payable	0.00	0.00
Other payable	32,946,785.01	36,311,863.30
Total	32,946,785.01	36,311,863.30

5.25.2 Other payables

5.25.2.1 Other payables by nature

Items	30 June 2023	1 January 2023
Within 1 year	19,855,923.62	23,690,913.19
Over 1 year	13,090,861.39	12,620,950.11
Total	32,946,785.01	36,311,863.30

5.25.2.2 Significant other payables with aging over one year

Items	30 June 2023	Reason
Deposit	13,216,056.05	Return upon termination of contract
Total	13,216,056.05	

5.26 Non-current Liabilities Maturing within One Year

Items	30 June 2023	1 January 2023
Lease liabilities maturing within one year	42,524,948.56	9,494,026.90
Total	42,524,948.56	9,494,026.90

5.27 Lease Liabilities

Items	30 June 2023	1 January 2023
Lease liabilities	513,600,116.67	534,850,528.45
Total	513,600,116.67	534,850,528.45

5.28 Estimated liabilities

Items	30 June 2023	1 January 2023	Reason
Pending litigation	0.00	480,930.00	Litigation
Total	0.00	480,930.00	

5.29 Share Capital

Item	1 January 2023	Changes during the reporting period (+,-)					30 June 2023
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Number of total shares	185,391,680.00						185,391,680.00

5.30 Capital Reserves

Item	1 January 2023	Increase during the reporting period	Decrease during the reporting period	30 June 2023
Capital premium (share premium)	210,045,659.80	0.00	0.00	210,045,659.80
Other capital reserves	86,763,305.99	0.00	0.00	86,763,305.99
Total	296,808,965.79	0.00	0.00	296,808,965.79

5.31 Other Comprehensive Income

		Current year						
Item	1 January 2023	Amount for the year before tax	Less: previously recognised in other comprehensive income transferred into profit or loss	Less: previously recognised in other comprehensive income transferred into retained earnings	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	30 June 2023
1. Other comprehensive income will not be reclassified to profit or loss	41,036.56	0.00	0.00	0.00	0.00	0.00	0.00	41,036.56
Including: Changes of remeasurement of the defined benefit plan	41,036.56	0.00	0.00	0.00	0.00	0.00	0.00	41,036.56
2. Items will be reclassified to profit or loss	8,089,858.52	0.00	0.00	0.00	0.00	4,601,860.28	1,533,953.43	12,691,718.80
Other comprehensive income will not be reclassified into profit or loss under equity method								
Exchange differences on translating foreign operations	8,089,858.52	0.00	0.00	0.00	0.00	4,601,860.28	1,533,953.43	12,691,718.80
Total	8,130,895.08	0.00	0.00	0.00	0.00	4,601,860.28	1,533,953.43	12,732,755.36

5.32 Surplus Reserves

Item	1 January 2023	Increase during the reporting period	Decrease during the reporting period	30 June 2023
Statutory surplus reserves	68,925,849.64	0.00	0.00	68,925,849.64
Total	68,925,849.64	0.00	0.00	68,925,849.64

Note: Pursuant to the Company Law of the People's Republic of China and Articles of Association, the Company appropriates 10% of net profit to the statutory surplus reserves. If the accumulated amount of the statutory surplus reserve reaches more than 50% of the registered capital of the Company, it shall not be withdrawn. After the Company accrues the statutory surplus reserve, the Company can accrue any surplus reserve fund. Upon approval, the discretionary surplus reserve fund may be used to cover future losses or increase in share capital.

5.33 Retained Earnings

Items	Reporting period	Same period of last year
Balance at the end of last period before adjustments	481,265,907.40	413,076,375.98
Adjustments for the opening balance (increase /(decrease)	0.00	0.00
Balance at the beginning of the reporting period after adjustments	481,265,907.40	413,076,375.98
Add: net profit attributable to owners of the parent company for the reporting period	28,317,860.90	94,283,302.93
Less: appropriation to statutory surplus reserves	0.00	7,554,603.51
Appropriation to discretionary surplus reserves	0.00	0.00
Provision for general risk reserves	0.00	0.00
Payment of ordinary share dividends	55,617,504.00	18,539,168.00
Common stock dividends converted to share capital	0.00	0.00
Balance at the end of the reporting period	453,966,264.30	481,265,907.40

5.34 Revenue and Cost of Sales

Items	Reporting period		Same period of last year	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	588,434,864.79	499,219,639.42	822,686,550.74	719,680,110.72
Other activities	36,975,624.36	6,575,466.81	45,605,702.62	17,315,934.78
Total	625,410,489.15	505,795,106.23	868,292,253.36	736,996,045.50

5.34.1 Revenue from principal activities (by industry or business)

Industry (business)	Reporting period		Same period of last year	
	Revenue	Costs of sales	Revenue	Costs of sales
Household appliances industry	588,434,864.79	499,219,639.42	822,686,550.74	719,680,110.72
Total	588,434,864.79	499,219,639.42	822,686,550.74	719,680,110.72

5.34.2 Revenue from principal activities (by product)

Products	Reporting period		Same period of last year	
	Revenue	Costs of sales	Revenue	Costs of sales
Catering and Cooking	357,869,438.26	302,538,598.25	525,208,182.23	460,595,374.40
Home helper	165,067,913.46	144,579,440.71	173,901,314.63	157,079,442.37
Tea/Coffee makers	61,696,249.75	50,340,030.43	110,782,328.41	93,468,479.22
Others	3,801,263.32	1,761,570.03	12,794,725.47	8,536,814.73

Products	Reporting period Revenue	Reporting period Costs of sales	Same period of last year Revenue	Same period of last year Costs of sales
Total	588,434,864.79	499,219,639.42	822,686,550.74	719,680,110.72

5.34.3 Revenue from principal activities (by region)

Region	Reporting period Revenue	Reporting period Costs of sales	Same period of last year Revenue	Same period of last year Costs of sales
Australia	6,233,318.04	5,051,733.22	19,961,933.58	17,627,481.02
Africa	16,241,597.10	12,666,001.06	16,361,919.27	13,679,562.07
America	239,862,232.02	206,546,351.96	378,440,562.36	331,959,192.33
Europe	204,613,214.53	171,004,608.28	214,658,631.62	185,178,790.24
Asia	121,484,503.10	103,950,944.90	193,263,503.91	171,235,085.06
Total	588,434,864.79	499,219,639.42	822,686,550.74	719,680,110.72

5.35 Taxes and Surcharges

Items	Reporting period	Same period of last year
City construction tax	815,562.58	1,073,003.16
Educational surcharge	788,050.52	1,042,782.76
Property tax	1,309,712.58	1,045,369.07
Land use tax	199,423.38	178,544.88
Stamp duty	328,022.77	450,065.02
Other	7,523.97	5,030.30
Total	3,448,295.80	3,794,795.19

5.36 Selling and Distribution Expenses

Items	Reporting period	Same period of last year
Employee remunerations	7,471,952.56	7,020,872.78
Claims experiment expenses	475,994.68	567,972.05
Sales commission and after sales service fees	1,216,845.74	1,313,350.89
Rental expenses	11,669.70	11,897.98
Travel expenses	302,543.62	114,065.20
Advertisements charges and sales promotion	1,768,788.97	239,315.43
Administrative expenses	62,930.82	59,273.82
Transportation expenses	0.00	0.00
Others	1,850,506.88	1,589,998.65
Total	13,161,232.97	10,916,746.80

5.37 General and Administrative Expenses

Items	Reporting period	Same period of last year
Employee remunerations	18,936,775.53	17,842,373.06
Depreciation and amortization of assets	5,862,732.27	6,052,411.49
Rental expenses	109,552.16	550,938.90
Insurance expenses	790,887.51	1,296,439.94
Administrative expenses	817,159.55	641,665.02
Travel expenses	2,054,728.01	1,920,406.51
Consultant fees	1,448,284.62	2,438,359.63
Maintenance expenses	1,907,381.29	2,043,320.72
Others	3,244,936.16	3,184,147.39
Total	35,172,437.10	35,970,062.66

5.38 Research and Development Expenses

Items	Reporting period	Same period of last year
Employee remunerations	19,869,956.56	24,326,053.12
Test expenses	2,169,153.45	2,104,962.67
Depreciation and amortization of assets	3,595,330.05	4,508,008.47
Certification expenses	771,492.96	396,685.68
Rental expenses	20,728.30	26,009.67
Patent expenses	252,733.12	719,321.12
Travel expenses	263,678.25	211,238.43
Maintenance expenses	848,037.44	1,317,107.05
Consultant fees	63,783.09	267,163.52
Others	1,264,128.06	875,463.22
Total	29,119,021.28	34,752,012.95

5.39 Finance Expenses

Items	Reporting period	Same period of last year
Interest expenses	14,346,616.80	13,625,662.64
Less: Interest income	2,383,878.11	2,772,581.93
Foreign exchange losses	-1,507,013.42	-12,188,363.10
Bank charges	420,439.08	480,121.12
Total	10,876,164.35	-855,161.27

5.40 Other Income

Items	Reporting period	Same period of last year	Related to assets /income
1. Government grant recognised in other income	2,623,900.61	7,273,591.28	Related to income
Including: Government grant related to deferred income			
Government grant related to deferred income			
Government grant directly recognised in current profit or loss	2,623,900.61	7,273,591.28	Related to income
2. Others related to daily operation activities and recognised in other income	0.00	5,901.34	
Including: Charges of withholding individual income tax			
Additional deduction of input tax	0.00	5,901.34	Related to income
Income from debt restructuring			
Total	2,623,900.61	7,279,492.62	

Details of government grant recognised in other income:

Items	Reporting period	Same period of last year	Recognized in current extraordinary gains and losses
Enterprise R&D investment subsidies	0.00	2,004,300.00	0.00
Export credit insurance subsidy	105,188.00	1,110,988.00	105,188.00
Reward for increasing production and efficiency	0.00	1,050,700.00	0.00
Patent subsidies	20,000.00	377,500.00	20,000.00
Employment stabilization subsidies	237,725.64	500.00	237,725.64
Commissions on the three authorized tax collection commissions	73,418.97	106,745.09	73,418.97
Social security subsidies for labors	1,824,068.00	1,000,000.00	1,824,068.00
Subsidies for stabilizing foreign trade	0.00	1,000,000.00	0.00

Items	Reporting period	Same period of last year	Recognized in current extraordinary gains and losses
Incremental subsidies for key enterprises	0.00	500,000.00	0.00
Reward for foreign investment and cooperation	208,000.00	0.00	208,000.00
Others	155,500.00	122,858.19	155,500.00
Total	2,623,900.61	7,273,591.28	2,623,900.61

5.41 Investment Income

Items	Reporting period	Same period of last year
Investment income of trading financial assets during the holding period	5,017,031.52	834,643.60
Investment income from disposal of trading financial assets	281,850.00	1,676,600.00
Interest income from time deposits	6,766,617.28	6,122,832.74
Total	12,065,498.80	8,634,076.34

5.42 Gains on Changes in Fair Values

Items	Reporting period	Same period of last year
Held-for-trading financial assets	1,384,875.00	460,466.67
Including: gains on changes in fair value of derivatives	-1,113,000.00	-4,059,700.00
Bank's financial products	2,497,875.00	4,520,166.67
Held-for-trading financial liabilities	-2,869,500.00	-2,018,500.00
Total	-1,484,625.00	-1,558,033.33

5.43 Impairment Loss of Credit

Items	Reporting period	Same period of last year
Bad debt of accounts receivables	13,021.14	976,052.61
Bad debt of other receivables	158,264.86	-144,648.49
Total	171,286.00	831,404.12

5.44 Impairment Loss of Assets

Items	Reporting period	Same period of last year
Impairment of inventories	-2,481,623.47	-6,196,535.70
Impairment of fixed assets	-589,694.33	-426,065.29
Total	-3,071,317.80	-6,622,600.99

5.45 Gains from Disposal of Assets

Items	Reporting period	Same period of last year	Recognized in current extraordinary gains and losses
Gains or losses from the disposal of fixed assets, construction in progress, productive biological assets, and intangible assets that are not classified as held for sale	316,839.99	125,025.90	316,839.99
Including:fixed assets	316,839.99	125,025.90	316,839.99
Total	316,839.99	125,025.90	316,839.99

5.46 Non-operating Income

5.46.1 Details of non-operating income

Items	Reporting period	Same period of last year	Recognized in current extraordinary gains and losses
Other	4,510,900.90	3,060,539.00	4,510,900.90
Total	4,510,900.90	3,060,539.00	4,510,900.90

5.47 Non-operating Expenses

Items	Reporting period	Same period of last year	Recognized in current extraordinary gains and losses
Loss from damage or scrapping of non-current assets	40,912.34	4,505.94	40,912.34
Including: fixed assets	40,912.34	4,505.94	40,912.34
Donations	0.00	4,563.67	0.00
Others	0.00	3,051.36	0.00
Total	40,912.34	12,120.97	40,912.34

5.48 Income Tax Expenses

5.48.1 Details of income tax expenses

Items	Reporting period	Same period of last year
Current tax expenses	3,078,184.82	7,197,847.52
Deferred tax expenses	2,081,789.80	-1,161,944.18
Total	5,159,974.62	6,035,903.34

5.48.2 Reconciliation of accounting profit and income tax expenses

Items	Reporting period	Same period of last year
Profit before tax	42,929,802.58	58,455,534.22
Income tax expense at the statutory /applicable tax rate	10,732,450.65	14,649,729.03
Effect of different tax rate of subsidiaries	-4,110,269.59	-3,465,016.90
Adjustments of impact from prior period income tax	-124,467.09	3,375.39
Effect of income that is exempt from taxation		
Effect of non-deductible costs, expenses or losses	129,723.59	384,542.74
Effect of previously unrecognized deductible losses recognised as deferred tax assets		-112,328.80
Effect of deductible temporary differences and deductible losses not recognised as deferred tax assets	1,367,360.25	40,630.19
Changes in balance of the beginning of the year deferred tax asset/liabilities due to tax rate adjustment		
R&D expenses plus deduction	-2,834,823.19	-5,465,028.31
Income tax expenses	5,159,974.62	6,035,903.34

5.49 Other Comprehensive Income

For details of the other comprehensive income and related tax effect, transfer to profit or loss and adjustment of other comprehensive income, refer to Note 5.31 Other Comprehensive Income.

5.50 Notes to the Statement of Cash Flow

5.50.1 Other cash received relating to operating activities

Items	Reporting period	Same period of last year
Government grants	2,623,900.61	7,273,591.28
Interests income	1,894,309.52	2,116,274.21
Rent income	29,921,425.49	25,612,626.59
Funds in current account and others	14,921,295.09	18,258,136.37
Total	49,360,930.71	53,260,628.45

5.50.2 Other cash payments relating to operating activities

Items	Reporting period	Same period of last year
Penalties and donations	0.00	4,652.99
Bank charges	424,247.98	487,521.32
Sales expenses, general and administrative expenses, and research and development expenses paid by cash	58,099,734.76	61,812,137.82
Current accounts and others	705,227.01	1,024,463.96
Total	59,229,209.75	63,328,776.09

5.50.3 Other cash received relating to investing activities

Items	Reporting period	Same period of last year
Time deposits recovered after maturity for the purpose to earn interest income in financial institutions	253,023,312.02	207,120,664.36
Total	253,023,312.02	207,120,664.36

5.50.4 Other cash payments relating to investing activities

Items	Reporting period	Same period of last year
Time deposits in financial institutions for the purpose of earning interest income	304,493,112.02	327,030,464.36
Total	304,493,112.02	327,030,464.36

5.50.5 Other cash received relating to financing activities

Items	Reporting period	Same period of last year
Security deposit of L/C	2,440,824.50	4,400,029.09
Security deposit of pledged loan	0.00	0.00
Total	2,440,824.50	4,400,029.09

5.50.6 Other cash payments relating to financing activities

Items	Reporting period	Same period of last year
Lease payment for use rights assets	480,960.00	330,000.00
Security deposit of L/C	3,888,375.92	6,342,741.56
Total	4,369,335.92	6,672,741.56

5.51 Supplementary Information to the Statement of Cash Flows

5.51.1 Supplementary information to the statement of cash flows

Supplementary information	Reporting period	Same period of last year
1. Adjustments of net profit to cash flows from operating activities:		
Net profit	37,769,827.96	52,419,630.88
Add: Provisions for impairment of assets	-3,071,317.80	-6,622,600.99
Impairment loss of credit	171,286.00	831,404.12

Supplementary information	Reporting period	Same period of last year
Depreciation of fixed assets, oil and gas asset and productive biological assets	17,674,478.12	19,397,511.37
Depreciation of use rights assets	9,151,332.12	8,597,173.23
Amortisation of intangible assets	2,785,480.27	3,825,882.48
Amortisation of long-term deferred expenses	1,785,451.67	1,931,948.75
Gains on disposal of fixed assets, intangible assets, and other long-term assets	-316,839.99	-200,484.29
Loss on scrapping of fixed assets	40,912.34	4,505.94
Gains on changes in fair value	1,484,625.00	1,558,033.33
Finance income	9,107,498.07	7,605,297.59
Investment income	-12,065,498.80	-8,634,076.34
Decreases in deferred tax assets	2,031,949.90	-1,066,228.76
Increases in deferred tax liabilities	-142,337.18	-296,930.70
Increases in inventories	22,393,580.88	58,955,054.46
Increases in operating receivables	-46,254,255.61	61,502,133.51
Increases in operating payables	-72,293,670.35	-146,379,337.86
Others	0.00	0.00
Net cash flows from operating activities	-29,747,497.40	53,428,916.72
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under finance leases		
3. Net increases in cash and cash equivalents:		
Cash equivalents at the end of the reporting period	434,069,413.50	544,242,256.25
Less: Cash equivalents at the beginning of the reporting period	575,511,846.95	770,851,173.58
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	-141,442,433.45	-226,608,917.33

5.51.2 The components of cash and cash equivalents

Items	Reporting period	Same period of last year
1. Cash	434,069,413.50	544,242,256.25
Including: Cash on hand	694,389.02	928,614.06
Cash in bank available for immediate use	433,304,758.29	543,313,642.19
Other monetary funds available for immediate use	70,266.19	0.00
Deposit in the central banks available for immediate use	0.00	0.00
Deposit in peer firms	0.00	0.00
Loan to peer firms	0.00	0.00
2. Cash equivalents	0.00	0.00
Including: Bond investments maturing within three months	0.00	0.00
3. Cash and cash equivalents at the end of the reporting period	434,069,413.50	544,242,256.25

Note 1: Cash and cash equivalents exclude the restricted cash and cash equivalents in parent company or subsidiary.

Note 2: On 30 June 2023, the amount of cash and cash equivalents in the statement of cash flows was CNY 434,069,413.50 and the balance of monetary funds of balance sheet was CNY 436,873,140.87. The difference is CNY 2,803,727.37, which is the security deposit for the letter of credit of TKL.

5.52 Restricted Assets

Item	Carrying amount on 30 June 2023	Reason
Other monetary funds	2,803,727.37	Security deposit for L/C
Total	2,803,727.37	

5.53 Foreign Currency Monetary Items

5.53.1 Details for foreign currency monetary items:

Items	Carrying amount in foreign currency on 30 June 2023	Exchange rate	Carrying amount in CNY on 30 June 2023
Cash and cash equivalents			
Including: USD	15,606,428.84	7.2258	112,768,933.51
JPY	277,573,438.42	0.050094	13,904,763.82
IDR	4,625,861,358.79	0.000483	2,234,291.04
EUR	11,644.49	7.8771	91,724.81
GBP	9,419.61	9.1432	86,125.38
HKD	3,429,176.97	0.92198	3,161,632.58
HUF	81,016.00	0.021221	1,719.24
Total			132,249,190.38
Short-term borrowings			
Including: USD	3,000,000.00	7.2258	21,677,400.00
Total			21,677,400.00
Accounts receivables			
Including: USD	19,804,054.79	7.2258	143,100,139.10
IDR	430,267,968.00	0.000483	207,819.43
JPY	31,313,757.00	0.050094	1,568,631.34
Total			144,876,589.87
Accounts payables			
Including: USD	4,228,307.77	7.2258	30,552,906.28
EUR	137,294.80	7.8771	1,081,484.87
GBP	199.56	9.1432	1,824.62
HKD	1,495.70	0.92198	1,379.01
JPY	2,139,955.62	0.050094	107,198.94
IDR	2,563,721,177.14	0.000483	1,238,277.33
Total			32,983,071.05
Other receivables			
Including: USD	24,638.06	7.2258	178,029.69
IDR	1,313,784,000.00	0.000483	634,557.67
Total			812,587.36
Other payables			
Including: USD	124,312.36	7.2258	898,256.25
IDR	424,547,748.13	0.000483	205,056.56
Total			1,103,312.81

5.54 Government Grants

5.54.1 Government grants related to assets

Item	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			Reporting period	Same period of last year	
Equipment investment subsidies		Fixed assets	37,281.82	37,281.82	Cost of sales

5.54.2 Government grants related to income

Item	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			Reporting period	Reporting period	
R&D expenses subsidies	0.00	Other income	0.00	2,004,300.00	Other income
Export credit insurance subsidies	105,188.00	Other income	105,188.00	1,110,988.00	Other income
Reward for increasing production and efficiency	0.00	Other income	0.00	1,050,700.00	Other income
Patent subsidy	20,000.00	Other income	20,000.00	377,500.00	Other income
Employment stabilization subsidies	237,725.64	Other income	237,725.64	500.00	Other income
Commissions on the three authorized tax collection commissions	73,418.97	Other income	73,418.97	106,745.09	Other income
Subsidies for stabilizing foreign trade	1,824,068.00	Other income	1,824,068.00	1,000,000.00	Other income
Incremental subsidies for key enterprises	0.00	Other income	0.00	1,000,000.00	Other income
Subsidies for foreign trade enterprises to build their own brands	0.00	Other income	0.00	500,000.00	Other income
Reward for external investment and cooperation	208,000.00	Other income	208,000.00	0.00	Other income
Other	155,500.00	Other income	155,500.00	122,858.19	Other income
Total	2,623,900.61		2,623,900.61	7,273,591.28	

6. CHANGES IN THE SCOPE OF CONSOLIDATION

In June 2023, the Company deregistered its subsidiary Tsannkuen Edge Intelligence Co., Ltd., which was no longer included into the consolidated financial statements since the date of deregistration.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

7.1.1 Composition of corporate group

Name of subsidiary	Principal place of business	Registered City	Nature of business	Percentage of equity interests by the Company (%)		Methods of acquisition
				Direct	Indirect	

Name of subsidiary	Principal place of business	Registered City	Nature of business	Percentage of equity interests by the Company (%)		Methods of acquisition
				Direct	Indirect	
TsannKuen (Zhangzhou) Enterprise Co., Ltd.(TKL)	Zhangzhou	Zhangzhou	Manufactures home electronic appliance	75.00		Acquired through establishment
TsannKuen China (Shanghai) Enterprise Co., Ltd. (TKS)	Shanghai	Shanghai	Manufactures home electronic appliance		46.875	Acquired through business combination under common control
Xiamen Tsannkuen Property Services Co., Ltd. (TKW)	Xiamen	Xiamen	Property services	100.00		Acquired through establishment
East Sino Development Limited. (East Sino)	Hong Kong	Hong Kong	Investment, Trading		75.00	Acquired through business combination under common control
Pt.Star Comgistic Indonesia (SCI)	Indonesia	Indonesia	Manufactures home electronic appliance		75.00	Acquired through business combination under common control
Pt.Star Comgistic Property Development Indonesia (SCPDI)	Indonesia	Indonesia	Real estate development		75.00	Acquired through establishment
Orient Star Investments Limited (OSI)	Hong Kong	Hong Kong	Investment, Trading		75.00	Acquired through business combination not under common control
Tsannkuen Edge Intelligence Co., Ltd. (TKEI)	Taiwan	Taiwan	Industrial design		75.00	Acquired through business combination under common control

7.1.2 Significant non-wholly owned subsidiaries

Name of subsidiary	Proportion of ownership interest held by non-controlling interest	Profit or loss attributable to non- controlling interests during the reporting period	Dividends declared to distribute to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
TKL	25	9,293,701.15	19,405,223.50	333,171,667.84
TKS	53.125	1,604,280.06		133,127,010.16
SCI	25	-1,506,547.07		37,285,989.47

7.1.3 Main financial information of significant non-wholly owned subsidiaries

Name of subsidiary	30 June 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TKL	1,412,935,153.26	915,274,567.09	2,328,209,720.35	478,840,597.10	516,682,451.89	995,523,048.99
TKS	293,816,375.93	5,661,328.25	299,477,704.18	27,877,511.03	21,008,174.02	48,885,685.05
SCI	105,567,586.98	68,941,663.68	174,509,250.66	25,365,292.72	0.00	25,365,292.72

(Continued)

Name of subsidiary	1 January 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TKL	1,482,227,964.03	928,152,276.64	2,410,380,240.67	498,883,526.15	538,363,953.77	1,037,247,479.92
TKS	292,168,697.67	5,878,922.81	298,047,620.48	29,275,071.53	21,200,351.10	50,475,422.63
SCI	99,235,623.97	69,820,920.41	169,056,544.38	19,283,426.63	0.00	19,283,426.63

(Continued)

Name of subsidiary	Reporting period			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
TKL	576,468,523.96	37,174,804.59		-21,617,536.02
TKS	685,238.07	3,019,821.28		-1,127,445.49
SCI	50,391,155.36	-6,026,188.28		-4,420,257.60

(Continued)

Name of subsidiary	The same period of last year			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
TKL	768,693,948.44	47,399,102.40		96,245,469.57
TKS	521,651.76	1,641,853.04		-791,513.54
SCI	102,898,244.18	170,598.75		15,344,498.99

7.2 Transactions which Resulted in Change of Equity Interests in a Subsidiary without Loss of Control

None

8. RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Company include equity investments, debt investments, loans, accounts receivable, accounts payable and etc., please see Note 5 for detail of related items. The risks associated with financial instruments and the risk management policies which the Company uses to reduce these risks are described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range. The Company uses sensitivity analysis techniques to analyze the possible impact of reasonable and possible changes in risk variables on current profits and losses or shareholder equity. Since any risk variable rarely changes in isolation, and the correlation between variables will have a significant effect on the final impact of the change of a certain risk variable, the following contents are based on the assumption that the change of each variable is carried out independently.

8.1 The targets and policies of risks management

The target of the Company's risk management is to achieve an appropriate balance between risks and returns, reduce the negative impact of risks on the Company's operating performance to the lowest level, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company’s risk management is to determine and analyze the various risks faced by the Company, to establish suitable risk tolerance baseline and conduct risk management, and to supervise various risks timely and reliably, so the risks are controlled within a limited range.

8.1.1 Market risk

8.1.1.1 Foreign exchange risk

The main exchange rate risk of the Company comes from the foreign currency assets and liabilities held by the Company and its subsidiaries that are not denominated in its functional currency. The Company bears the foreign exchange risk primarily concerned with USD, JPY, IDR, EUR, HKD and NTD. Three of the Company’s subsidiaries use foreign currencies for purchasing and sales, including SCI using USD for purchasing and sales, SCPDI using IDR for purchasing and sales, TKEI usin NTD for purchasing and sale. Other than the three subsidiaries mentioned above, other major business activities of the Company are priced and settled in CNY.

8.1.1.1.1 As of 30 June 2023, the main foreign exchange exposure of the Company’s foreign currency assets and liabilities are as follows (For presentation purpose, the exposures are presented in CNY and transferred at the spot rate of the balance sheet date):

Items	30 June 2023	1 January 2023
Cash and cash equivalent	132,249,190.38	180,922,873.80
Accounts receivable	144,876,589.87	96,920,556.63
Other receivables	812,587.36	567,689.72
Short-term loan	21,677,400.00	
Accounts payable	32,983,071.05	45,588,213.27
Other payables	1,103,312.81	3,077,517.25

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.

8.2 Credit Risk

On 30 June 2023, the maximum credit risk exposure that may cause financial loss of the Company mainly comes from the loss of financial assets of the company caused by the failure of the other party to perform its obligations and the financial guarantee undertaken by the Company, including: The book amount of financial assets recognized in the consolidated balance sheet; for financial instruments at fair value, the book value reflects their risk exposure, but not the maximum risk exposure, and the maximum risk exposure will change as their fair value changes in the future.

To reduce credit risks, the Company has established a team responsible for determining the credit limit, conducting credit approval, and implementing other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. In addition, the Company reviews the recovery of each single receivable on each balance sheet date to ensure that adequate provision for bad debt is made for uncollectible amounts. As a result of the implemented procedures, the management of the Company believes that the credit risk assumed by the company has been greatly reduced.

The Company's circulating funds are deposited in banks with higher credit ratings, so the credit risk of circulating funds is low.

8.2.1 Aging analysis of financial assets that are overdue and not impaired

The Company does not have any financial assets that are overdue and not impaired.

8.2.2 Analysis of financial assets that have suffered an individual impairment

The Company does not have any single impairment financial assets.

8.3 Liquidity Risk

When managing liquidity risk, the Company’s management believes that maintaining adequate cash and cash equivalents, and monitoring that at the 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 the loan agreements.

9. FAIR VALUE DISCLOSURES

The inputs used in the fair value measurement in its entirety are to be classified in the level of the hierarchy in which the lowest level input that is significant to the measurement is classified.

- Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs for the assets or liabilities (other than those included in Level 1) that are either directly or indirectly observable.
- Level 3: Inputs are unobservable inputs for the assets or liabilities

9.1 Assets and Liabilities Measured at Fair Value as at 30 June 2023

Items	Fair value at 30 June 2023			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
(a) Held-for-trading financial assets				
(i) Financial assets at fair value through profit or loss		570,878,663.89		570,878,663.89
Debt instruments		570,852,763.89		570,852,763.89
Equity instruments				
Derivatives		25,900.00		25,900.00
(b) Other investments in equity instruments				
(c) Other non-current financial assets				
Total assets measured at fair value on a recurring basis		570,878,663.89		570,878,663.89
(d) Held-for-trading financial liabilities				
(i) Financial liabilities at fair value through profit or loss		2,869,500.00		2,869,500.00
Including: Held-for-trading bonds				
Derivatives		2,869,500.00		2,869,500.00
Others				
Total liabilities measured at fair value on a recurring basis		2,869,500.00		2,869,500.00

9.2 Determination for the Quoted Prices of Fair Value Measurement in Level 2 on a Recurring or Nonrecurring Basis

The fair value measurement is based on the valuation provided by the bank where the unsettled forward foreign exchange is located on the balance sheet date.

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

10.1 General Information of the Parent Company

Name of the parent	Registered address	Nature of the business	Registered capital (NTD ten thousand)	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
STAR COMGISTIC CAPITAL CO., LTD.	Taiwan	Manufactures and sales electrical equipment	300,000.00	42.90	44.68

Note: The ultimate controlling party of the Company is STAR COMGISTIC CAPITAL CO., LTD.

10.2 General Information of Subsidiaries

Refer to Notes 7 INTERESTS IN OTHER ENTITIES for details of the subsidiaries.

10.3 Other Related Parties of the Company

Name	Relationship with the Company
Thermaster Electronic (Xiamen) Ltd.	The company is directly controlled by the key management and closed family members
TsannKuen Enterprise Co., Ltd.	Same actual controller

10.4 Related Party Transactions

10.4.1 Purchases or sales of goods, rendering or receiving of services

Purchases of goods, receiving of services:

Related parties	Content of transaction	Reporting period	Approval trade credit	Whether exceed trade credit or not	Same period of last year
Thermaster Electronic (Xiamen) Ltd.	Purchase of goods	11,667,909.26	35,000,000.00	No	13,185,591.40
Total		11,667,909.26			13,185,591.40

Sales of goods and rendering of services:

Related parties	Content of transaction	Reporting period	Same period of last year
STAR COMGISTIC CAPITAL CO., LTD.	Sales of goods	1,556,281.63	4,425,123.37
Thermaster Electronic (Xiamen) Ltd.	Sales of goods	0.00	29,129.50
Total		1,556,281.63	4,454,252.87

10.4.2 Leases

The Company as lessor:

The lessee	Type of assets	Lease rental recognized in current period	Lease rental recognized in prior period
STAR COMGISTIC CAPITAL CO., LTD.	Property	0.00	586,263.66
Total		0.00	586,263.66

10.4.3 Transfers of assets and debt restructuring

Related parties	Content of transaction	Reporting period	Same period of last year
TsannKuen Enterprise Co., Ltd.	Sales of fixed assets	0.00	15,382.96
STAR COMGISTIC CAPITAL CO., LTD.	Sales of fixed assets	0.00	35,493.89
Total		0.00	50,876.85

10.4.4 Key management personnel compensation

Currency: Ten thousand yuan

Item	Reporting period	Same period of last year
Key management personnel compensation	207.01	203.84

10.4.5 Other related party transactions

Related parties	Content of transaction	Reporting period	Same period of last year
STAR COMGISTIC CAPITAL CO., LTD.	Quality claim payment	3,407.71	29,904.82
TsannKuen Enterprise Co., Ltd.	Receive labor service	0.00	39,749.72
STAR COMGISTIC CAPITAL CO., LTD.	Accept service	0.00	69,481.81
Total		3,407.71	139,136.35

10.5 Receivables and Payables with Related Parties

10.5.1 Receivables

Items	Related parties	30 June 2023		1 January 2023	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	STAR COMGISTIC CAPITAL CO., LTD.	558,437.28		1,096,717.65	
Total		558,437.28		1,096,717.65	

10.5.2 Payables

Items	Related parties	30 June 2023	1 January 2023
Accounts payable	Thermaster Electronic (Xiamen) Ltd	6,762,751.74	5,955,654.84
Total		6,762,751.74	5,955,654.84

11. COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

Other Significant Commitments

As of June 30, 2023, the Company has no significant commitments to disclose.

11.2 Contingencies

Significant contingencies existing at the balance sheet date:

As of 30 June 2023, The Company has no significant contingencies need to be disclosed.

12. EVENTS AFTER THE REPORTING PERIOD

On July 12, 2023, the Company's holding subsidiary, TKL, signed the "Supplementary Memorandum of Understanding on Tsann Kuen Group's Investment and Cooperation in Zhangzhou" and the "Lease Contract for Transitional Plant Transformation in Tsann Kuen Industrial Park" with the local government and relevant departments. For details, please refer to the announcement "Announcement on TKL, a Holding Subsidiary, Signing the Supplementary Memorandum of Understanding on Tsann Kuen Group's Investment in Zhangzhou and the Lease Contract for Transitional Plant Transformation in Tsann Kuen Industrial Park" disclosed by the Company on July 13 in the Shenzhen Stock Exchange's website.

According to "Enterprise Accounting Standard No. 21 - Leases", due to changes in the lease that resulted in a reduction in the lease scope, the carrying amount of the right-of-use assets will be reduced, and the related gains from the partial termination will be included in the current period’s profit and loss. This adjustment will increase the annual income of the subsidiary Zhangzhou Cankun by about cny 10 million, and will have a certain impact on assets and liabilities, subject to the annual audit figure.

13. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

13.1 Accounts Receivable

13.1.1 Accounts receivable by aging

Aging	30 June 2023	1 January 2023
Within 1 year	75,574.63	240,067.21
Including: 1 – 90 days	55,445.03	219,897.21
91 – 180 days	129.60	20,170.00
181 – 270 days		
271 – 365 days	20,000.00	
1-2 years		9,677.56
2-3 years	20,418.08	110,740.52
3-4 years	100,000.00	
4-5 years		
Over 5 years	5,000.00	5,000.00
Subtotal	200,992.71	365,485.29
Less: Provision for bad debt	31,076.65	31,981.50
Total	169,916.06	333,503.79

13.1.2 Accounts receivable by bad debt provision method

Category	30 June 2023				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognised collectively	200,992.71	100.00	31,076.65	15.46	169,916.06
Including: Portfolio by age	200,992.71	100.00	31,076.65	15.46	169,916.06
Portfolio by related parties					
Total	200,992.71	100.00	31,076.65	15.46	169,916.06

(Continued)

Category	1 January 2023				
	Book balance		Provision for bad debt		Carrying amoun
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognised collectively	365,485.29	100.00	31,981.50	8.75	333,503.79
Including: Portfolio by age	365,485.29	100.00	31,981.50	8.75	333,503.79
Portfolio by related parties					
Total	365,485.29	100.00	31,981.50	8.75	333,503.79

Specific instructions for provision for bad debts: accounts receivable with bad debt provision recognised collectively by aging

Aging	30 June 2023		
	Book balance	Provision for bad debt	Provision ratio (%)
Not overdue	132,555.00	662.78	0.50
Overdue 1 – 30 days	23,681.03	1,065.64	4.50
Overdue 31 – 60 days	19,209.00	3,841.80	20.00
Overdue 61 – 90 days	75.00	33.75	45.00
Overdue more than 90 days	25,472.68	25,472.68	100.00
Total	200,992.71	31,076.65	15.46

(Continued)

Aging	1 January 2023		
	Book balance	Provision for bad debt	Provision ratio (%)
Not overdue	294,654.84	1,473.27	0.50
Overdue 1 – 30 days	26,634.37	1,198.55	4.50
Overdue 31 – 60 days	18,608.00	3,721.60	20.00
Overdue 61 – 90 days			
Overdue more than 90 days	25,588.08	25,588.08	100.00
Total	365,485.29	31,981.50	8.75

Accounts receivable with bad debt provision recognised collectively by related parties

None

Refer to Note 3.9 for the recognition criteria and explanation of the provision for bad debts collectively by groups.

13.1.3 Bad debt provision recognized, recovered or reversed during the reporting period

Category	1 January 2023	Changes during the reporting period				30 June 2023
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debt recognised collectively	31,981.50	22,068.46	22,973.31	0.00	0.00	31,076.65
Total	31,981.50	22,068.46	22,973.31	0.00	0.00	31,076.65

13.1.4 Top five closing balances by entity

Entity name	Balance at 30 June 2023	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
No. 1	100,000.00	49.75	500.00
No. 2	72,218.23	35.93	5,087.27
No. 3	20,418.08	10.16	20,418.08
No. 4	5,000.00	2.49	5,000.00
No. 5	3,297.00	1.64	3,297.00
Total	200,933.31	99.97	34,302.35

13.2 Other Receivables

13.2.1 Other receivables by category

Items	30 June 2023	1 January 2023
Interest receivable		
Dividend receivable		
Other receivables	4,172,842.12	3,268,524.27
Total	4,172,842.12	3,268,524.27

13.2.2 Interest receivable

None

13.2.3 Dividends receivable

None

13.2.4 Other receivables

13.2.4.1 Other receivables by aging

Aging	30 June 2023	1 January 2023
Within 1 year	4,121,003.12	3,230,581.33
Including: 1 – 90 days	3,998,137.12	3,121,427.22
91 – 180 days	73,055.00	68,800.00
181 – 270 days	20,000.00	30,000.00
271 – 365 days	29,811.00	10,354.11
1-2 years	76,800.00	124,851.70
2-3 years		
3-4 years		
4-5 years		
Over 5 years	50,000.00	50,000.00
Subtotal	4,247,803.12	3,405,433.03
Less: Provision for bad debt	74,961.00	136,908.76
Total	4,172,842.12	3,268,524.27

13.2.4.2 Other receivables by nature

Nature	30 June 2023	1 January 2023
Other open credits	2,126,694.36	1,619,871.38
Deposit	80,500.00	308,800.00
Due from related parties	2,040,608.76	1,476,761.65
Subtotal	4,247,803.12	3,405,433.03
Less: Provisions for bad debt	74,961.00	136,908.76
Total	4,172,842.12	3,268,524.27

13.2.4.3 Bad debt provision

Bad debt provision	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Balance at 1 January 2023	136,908.76			136,908.76
Balance at 1 January 2023 recognised in the reporting period	——	——	——	——
Transfer to stage 2				0.00
Transfer to stage 3				0.00
Transfer back to stage 2				0.00
Transfer back to stage 1				0.00
Provision	33,212.46			33,212.46
Recovery	95,160.22			95,160.22
Reversal				0.00
Write-off				0.00
Other changes				0.00
Balance on 30 June 2023	74,961.00	0.00	0.00	74,961.00

13.2.4.4 Bad debt provision recognized, recovered or reversed during the reporting period

Category	1 January 2023	Changes during the reporting period				30 June 2023
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debt recognised individually						
Accounts receivable with provision for bad debt recognised collectively	136,908.76	33,212.46	95,160.22	0.00	0.00	74,961.00
Total	136,908.76	33,212.46	95,160.22	0.00	0.00	74,961.00

13.2.4.5 Other receivables write-off during the reporting period

Entity name	Nature	Balance as of 30 June 2023	Aging	Proportion of the balance to the total other receivables (%)	Allowance for bad debts as at 30 June 2023
Tsann Kuen (China) Enterprise Co., Ltd. (Alipay Account)	Other open credits	284,755.00	0-180 days	6.70	6,275.50
Xiamen Yiding Technology Co., Ltd.	Other open credits	125,322.11	0-90 days	2.95	
Central Treasury Special Account of the Ministry of Finance	Litigation	55,600.00	270 days to 2 years	1.31	
Alipay account of flagship store of Tsann Kuen (China) Enterprise Co., Ltd.	Deposit	50,000.00	Over 5 years	1.18	
Xiamen Yishan Sports Technology Co., Ltd.	Utility	34,385.84	0-90 days	0.81	
Total		550,062.95		12.95	6,275.50

13.3 Long-term Equity Investments

Items	30 June 2023			1 January 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in	923,414,701.56		923,414,701.56	923,414,701.56		923,414,701.56

Items	30 June 2023			1 January 2023		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
subsidiaries						
Investment in Joint ventures and associates						
Total	923,414,701.56		923,414,701.56	923,414,701.56		923,414,701.56

13.3.1 Investments in subsidiaries

Investees	1 January 2023	Increase during the reporting period	Decrease during the reporting period	30 June 2023	Provision for impairment during the reporting period	Provision for impairment at 30 June 2023
TKL	921,914,701.56			921,914,701.56		
TKW	1,500,000.00			1,500,000.00		
Total	923,414,701.56			923,414,701.56		

13.4 Revenue and Cost of Sales

Items	The Reporting period		The same period of last year	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	1,685,572.73	1,264,301.23	2,351,627.08	1,773,530.34
Other activities	27,336,758.64	16,714,487.43	23,543,484.14	16,191,141.97
Total	29,022,331.37	17,978,788.66	25,895,111.22	17,964,672.31

13.5 Investment Income

Items	The Reporting period	The same period of last year
Investment income from long-term equity investments under equity method	58,215,670.49	69,465,344.64
Total	58,215,670.49	69,465,344.64

14. SUPPLEMENTARY INFORMATION

14.1 Extraordinary Gains or Losses

Items	Amount	Description
Losses on disposal of non-current assets (inclusive of impairment allowance write-offs)	316,839.99	
Tax refunds or reductions with ultra vires approval or without official approval documents		
Government grants recognised in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	2,623,900.61	
Funds occupation fee recognised in current profit or loss from non-financial		

Items	Amount	Description
companies		
The excess of attributable fair value of net identifiable assets over the consideration paid for subsidiaries, associates, or joint ventures recognised by the Company		
Gains/(losses) generated from non-monetary asset exchange		
Gains /(losses) on entrusted investments or asset managements		
Provision for impairment of each asset due to force majeure such as a natural disaster		
Gains /(losses) on debt restructuring		
Corporate restructuring charge, such as expenditure for staff resettlement and integration cost		
Gains /(losses) from excess of fair value in non-arm's length transactions		
Net gains /(losses) of subsidiaries arising from business combination under common control from the beginning of the reporting period till the combination date		
Gains /(losses) arising from contingencies other than those related to principal activities of the Company		
Gains /(losses) arising from changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, held-for-trading financial liabilities and assets classified as held for sale except effective hedging transactions related to the Company's principal activities	10,580,873.80	Mainly investment income from sale of forward foreign exchange contracts, gains on changes of fair value, income of financial products and interest of time deposits
Reversal of provision for impairment of accounts receivable tested for impairment individually		
Gains /(losses) arising from entrusted loans to other entities		
Gains /(losses) arising from changes in fair value of investment properties adopting fair value model for subsequent measurement		
Impact of one-off adjustment to current profit or loss based on the requirements of taxation and accounting laws and regulations		
Custody fee income from entrusted operations		
Other non-operating income/expenses except for items mentioned above	4,469,988.56	
Other extraordinary gains/(losses) defined		
Less: Income tax effects	3,766,676.49	
Non-controlling interests effects (after tax)	4,518,286.97	
Total	9,706,639.50	

Note: The symbol"+" in the non-recurring profit and loss item represents income, and "-" represents loss or expenditure.

The Company recognised the extraordinary gains or losses in accordance with the Explanatory Announcement regarding Information Disclosure by Publicly Listed Company No. 1 - Non-recurring Profit and Loss (CSRC announcement [2008] No.43).

14.2 Return on Net Assets and Earnings Per Share ('EPS')

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic (Yuan per share)	Diluted (Yuan per share)
Net profit attributable to ordinary shareholders	2.68	0.15	0.15
Net profit attributable to ordinary shareholders after extraordinary gains and losses	1.77	0.10	0.10

14.3 Supplementary Information on Changes in Accounting Policies

Please see Note 3.29 "Changes in Significant Accounting Policies and Accounting Estimates" for details.

Name of the Company: TsannKuen (China) Enterprise Co., Ltd.

Date: 8 August 2023