TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

2016 ANNUAL REPORT

March 2017

Section I. Important Statements, Contents & Terms

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

All directors attended the board meeting for reviewing this Report.

The Company's profit distribution preplan upon review and approval of this board meeting: Based on the total 185,391,680 shares, a cash dividend of RMB1.2 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

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

Any forward-looking statement such as those involving the future operational plans in this Report shall not be considered as virtual promises of the Company to investors. And investors are kindly reminded to pay attention to possible risks.

This Report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

Contents

Terms

Term	Refers to	Content
Xiamen Tsann Kuen, MCKB, Company, the Company, TKC	Refers to	Tsann Kuen (China) Enterprise Co., Ltd.
Tsann Kuen Zhangzhou, TKL	Refers to	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.
Tsann Kuen Shanghai, TKS	Refers to	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.
South Port Electronics, TKN	Refers to	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.
STD	Refers to	Shanghai Canxing Trading Co., Ltd.
East Sino Development	Refers to	East Sino Development Limited
SCI	Refers to	Pt.Star Comgistic Indonesia
Orient Star Investments	Refers to	Orient Star Investments Limited
TKEI	Refers to	Tsannkuen Edge Intelligence Co., Ltd.
TKCD	Refers to	Xiamen Tsannkuen Home Appliance Design Co., Ltd.
SCPDI	Refers to	Pt.Star Comgistic Property Development Indonesia
Yuan	Refers to	RMB Yuan

Major Risk Warning

Securities Times, Ta Kung Pao (HK) and www.cninfo.com.cn are designated by the Company as the media for information disclosure. All information of the Company shall be subject to what is disclosed by the Company on the said media. And Investors are kindly reminded to pay attention to possible investment risks.

Section II. Company Profile & Financial Highlights

I. Basic information of the Company

Stock abbr.	TKC B	Stock code	200512
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese's	厦门灿坤实业股份有限公司		
Abbr.	闽灿坤		
Company name in English	TSANNKUEN(CHINA) ENTERPRISE CO. LTD		
Abbr.	TKC		
Legal representative	Pan Zhirong		
Registered address	No.88 Xinglong Road, Huli Industrial Park, Xiamen, Fujian Province, P.R. China		
Zip code	361006		
Office address	TSANN KUEN Industrial Park, Taiwanese Investment Zone, Zhangzhou, Fujian Province		
Zip code	363107		
Internet website	www.eupa.com		
Email address	mm_sun@tkl.tsannkuen.com		

II. Contact us

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

III. About information disclosure and where this Report is placed

Newspapers designated by the Company for information disclosure	Securities Times (domestic), Ta Kung Pao (HK) (overseas)
Internet website designated by CSRC for disclosing this Report	www.cninfo.com.cn
Where this Report is placed	TSANN KUEN Industrial Park, Taiwanese Investment Zone, Zhangzhou, Fujian Province

IV. Changes in the registered information

Credibility code	91350200612002170L
Changes of the main business since listing	No changes
Changes of the controlling shareholder	No changes

V. Other information

The CPAs firm hired by the Company:

Name	Ruihua Certified Public Accountants LLP
Office address	5-11/F,WestTower of China Overseas PropertyPlaza, Building 7,NO.8,Yongdingmen Xibinhe Road, Dongcheng District, Beijing
Signing accountants	Yang Ganlin, Chen Lianwu

Sponsor engaged by the Company to conduct sustained supervision during the reporting period

□ Applicable √ Inapplicable

Financial consultant engaged by the Company to conduct sustained supervision during the reporting period

□ Applicable √ Inapplicable

VI. Accounting and financial highlights

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

√ Yes □ No

Unit: RMB Yuan

Item	2016	2015		Increase/decrease of current year over last year (%)	2014
		After adjustment	Before adjustment	After adjustment	
Operating revenue	1,813,281,222.42	1,968,748,594.29	1,968,728,531.55	-7.90	2,008,161,297.50
Net profit attributable to shareholders of the Company	48,229,497.36	34,658,898.51	36,782,299.50	39.15	51,348,795.39
Net profit attributable to shareholders of the Company before extraordinary gains and losses	36,456,289.17	25,165,251.73	25,526,229.90	44.87	41,759,659.26
Net cash flows from operating activities	108,167,920.06	80,832,724.56	83,438,590.84	33.82	45,016,298.98
Basic EPS (RMB Yuan/share)	0.26	0.19	0.20	36.84	0.28
Diluted EPS (RMB Yuan/share)	0.26	0.19	0.20	36.84	0.28
Weighted average ROE (%)	7.95	5.93	6.31	2.02	9.66
Item	As at 31 Dec. 2016	As at 31 Dec. 2015		Increase/decrease of current year-end than last year-end (%)	As at 31 Dec. 2014
		After adjustment	Before adjustment	After adjustment	
Total assets	1,697,533,004.99	1,662,146,220.18	1,656,036,577.21	2.13	1,651,024,619.41
Net assets attributable to shareholders of the Company	610,856,271.31	562,029,107.73	559,728,743.98	8.69	546,574,409.55

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

On 24 April 2015, the Company held the 2015 2nd Board of Directors had approved the resolutions, of which the controlling subsidiary Zhangzhou Tsann Kuen Industrial Co., Ltd. (named "Zhangzhou Tsann Kuen" for short with the shareholding of 75%) and firstly set up the wholly owned subsidiary Orient Star Investments Limited (named "Orient Star Investments") then secondly Orient Star Investments invested and purchased the 100% equities of the wholly owned subsidiary Tsannkuen Edge Intelligence Co., Ltd. (named "Tsannkuen Edge Intelligence" for short) of STAR COMGISTIC CAPITAL CO., LTD. (named "STAR COMGISTIC CAPITAL" for short). Orient Star Investments received the relevant letter about approving the purchase of the 100% equities of Tsannkuen Edge Intelligence from Taiwan competent authorities on 15 March 2016 and amount that STAR COMGISTIC CAPITAL received the purchase of the whole equities of Tsannkuen Edge Intelligence by Orient Star Investments on 21 March 2016 was of USD968,545.48. And had completed the relevant alternation procedures of the commercial registration of the equity transfer on 19 April 2016 and with the details, please refer to the Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 25 April 2015, the Correcting Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 28 April 2015, Announcement on the Completion of the Commercial Registration Procedures of the Hong Kong Wholly-owned Subsidiary of Zhangzhou Tsann Kuen that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 May 2015, Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Purchased Tsannkuen Edge Intelligence and the Progress of the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 March 2016 and the Announcement on the Completion of the Commercial Alternation Registration of the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen through the Purchase of Tsannkuen Edge Intelligence by Hong Kong Subsidiary that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 April 2016.

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

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

Total shares of the Company as at closure of the last trading day before the disclosure of this Report (share)	185,391,680
Fully diluted EPS based on the latest total shares (RMB Yuan/share)	0.26

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

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

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

VIII. Financial highlights by quarter

Unit: RMB Yuan

Item	Q1	Q2	Q3	Q4
Operating revenue	400,158,372.95	397,950,316.32	530,619,224.33	484,553,308.82
Net profit attributable to shareholders of the Company	6,272,704.45	11,517,096.91	12,124,393.34	18,315,302.66
Net profit attributable to shareholders of the Company before extraordinary gains and losses	4,561,371.13	11,383,481.43	11,674,289.80	8,837,146.81
Net cash flows from operating activities	-21,744,915.13	-38,427,091.16	-1,728,404.23	170,068,330.58

Any material difference between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports?

□ Yes √ No

IX. Extraordinary gains and losses

√ Applicable □ Inapplicable

Unit: RMB Yuan

Item	2016	2015	2014	Note
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	247,169.68	1,498,471.95	1,407,170.02	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents				
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	3,768,118.00	3,752,212.58	3,248,685.00	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses				
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments				
Gain/loss on non-monetary asset swap				
Gain/loss on entrusting others with investments or asset management				

Item	2016	2015	2014	Note
Asset impairment provisions due to acts of God such as natural disasters				
Gain/loss on debt restructuring				
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.				
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices				
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date	-2,204,397.97	-2,831,675.81		Loss of Tsannkuen Edge Intelligence before combination
Gain/loss on contingent events irrelevant to the Company's normal business				
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	11,149,556.06	9,471,741.12	6,129,027.65	Gains on sale of forward exchange contracts, fair value changes, wealth management products and other current assets
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately				
Gain/loss on entrustment loans				
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method				
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations				
Custody fee income when entrusted with operation				
Non-operating income and expense other than the above	5,384,216.91	2,855,340.21	3,343,434.29	
Other gain and loss items that meet the definition of an extraordinary gain/loss			1,285,415.02	
Less: Income tax effects	2,724,991.75	2,131,878.69	2,487,669.32	
Minority interests effects (after tax)	3,846,462.74	3,120,564.58	3,336,926.53	
Total	11,773,208.19	9,493,646.78	9,589,136.13	

Section III. Business Highlights

I. Main business during the reporting period

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

II. Material changes in main assets

1. Material changes in main assets

Main assets	Material change
Prepayments	Down 58.80% from the opening amount of the year, mainly because of decreased prepayments for materials
Interest receivable	Down 99.51% from the opening amount of the year, mainly because of decrease in term deposits which were used to generate interest income
Other current assets	Up 54.79% from the opening amount of the year, mainly because of increased wealth management products
Intangible assets	Up 63.96% from the opening amount of the year, mainly because of the purchase of R&D software and land
Other non-current assets	Down 80.07% from the opening amount of the year, mainly because the molding tools that had been prepaid for were accepted upon check

2. Main assets overseas

√ Applicable □ Inapplicable

Unit: RMB Yuan

Asset	Nature	Value	Location	Operation status	Measures taken to protect asset safety	Earnings	In the Company's net assets (%)	Any major impairment risk or not
Pt.Star Comgistic Indonesia	Investment	126,390,302.91	Indonesia	Normal	Periodic review	-18,855,657.81	20.69%	No
Tsannkuen Edge Intelligence Co., Ltd.	Equity acquisition	18,648,948.75	Taiwan	Normal	Periodic review	-9,089,652.03	3.05%	No
Other information	N/A							

III. Core competitiveness analysis

√ Applicable □ Inapplicable

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

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

In addition, Tsannkuen Edge Intelligence Co., Ltd. ("Edge Intelligence"), a newly acquired subsidiary, owns the Arduino open control platform technology, which will be a great help in our medium and long-term strategy for IOT (Internet of Things), ICT (Information and Communication Tech) and AI (Artificial Intelligence). The R&D and technology strength of Edge Intelligence in Taiwan will help further increase our overall strength in R&D, strengthen our medium and long-term strategy in R&D, mutually complement R&D resources of our operations in China Mainland, and improve our smart home appliance division to cope with the rapid changes in the market.

Section IV. Performance Discussion & Analysis

I. Business review for reporting period

For the reporting period, the Company achieved operating revenues of RMB1.813 billion, down 7.90% over RMB1.969 billion of last year, and net profit of RMB48 million, up 39.15% over RMB35 million of last year. The net profit grew mainly because of the depreciation of RMB, lower prices of procured items and lower labor cost due to a downsizing campaign at the end of last year. We will continue to control our procurement cost, stick to lean manufacturing, strengthen internal operation and improve our production and marketing procedures.

II. Main business analysis

1. Overview

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

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

With Taiwan and Mainland China in charge of R&D and resources respectively, we are able to increase our product competitiveness and innovative value at the very beginning of our production.

2. Revenues and costs

(1) Breakdown of operating revenues

Unit: RMB Yuan

Item	2016		2015		+/-%
	Amount	In total operating revenues (%)	Amount	In total operating revenues (%)	
By segments					
Small home appliance	1,756,523,175.58	96.87	1,902,907,171.01	96.66	-7.69
Other	56,758,046.84	3.13	65,841,423.28	3.34	-13.80
Total	1,813,281,222.42	100.00	1,968,748,594.29	100.00	-7.90
By products					
Cooking tools	1,170,980,668.15	64.58	1,237,385,562.27	62.85	-5.37
Home helper	389,534,553.10	21.48	414,423,298.75	21.05	-6.01
Tea/Coffee makers	185,543,854.30	10.23	235,062,032.76	11.94	-21.07
Other products	10,464,100.03	0.58	16,036,277.23	0.82	-34.75
Other services	56,758,046.84	3.13	65,841,423.28	3.34	-13.80
Total	1,813,281,222.42	100.00	1,968,748,594.29	100.00	-7.90
By areas					
Australia	103,477,102.39	5.71	98,405,708.12	5.00	5.15
Africa	13,773,237.72	0.76	9,827,663.03	0.50	40.15
America	729,919,780.40	40.25	800,913,083.11	40.68	-8.86
Europe	465,703,470.88	25.68	425,861,801.42	21.63	9.36
Asia	500,407,631.03	27.60	633,740,338.61	32.19	-21.04
Total	1,813,281,222.42	100.00	1,968,748,594.29	100.00	-7.90

(2) Segments, products or areas contributing over 10% of operating revenues or profit

√ Applicable □ Inapplicable

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

No

Unit: RMB Yuan

Item	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue: +/-% from last year	Operating cost: +/-% from last year	Gross profit margin: +/-% from last year
By segments						
Small home appliance	1,756,523,175.58	1,465,963,830.11	16.54	-7.69	-11.16	3.26
Other	56,758,046.84	29,137,307.15	48.66	-13.80	29.93	-17.28
Total	1,813,281,222.42	1,495,101,137.26	17.55	-7.90	-10.61	2.51
By products						
Cooking tools	1,170,980,668.15	963,867,693.01	17.69	-5.37	-8.77	3.08
Home helper	389,534,553.10	345,624,878.77	11.27	-6.01	-7.45	1.38
Tea/Coffee makers	185,543,854.30	150,627,128.90	18.82	-21.07	-27.28	6.94
Other products	10,464,100.03	5,844,129.43	44.15	-34.75	-55.27	25.62
Other services	56,758,046.84	29,137,307.15	48.66	-13.80	29.93	-17.28
Total	1,813,281,222.42	1,495,101,137.26	17.55	-7.90	-10.61	2.51
By areas						
Australia	103,477,102.39	83,003,731.68	19.79	5.15	0.75	3.51
Africa	13,773,237.72	11,337,729.75	17.68	40.15	31.24	5.58
America	729,919,780.40	621,521,499.18	14.85	-8.86	-11.59	2.63
Europe	465,703,470.88	386,315,075.94	17.05	9.36	5.27	3.22
Asia	500,407,631.03	392,923,100.71	21.48	-21.04	-23.20	2.21
Total	1,813,281,222.42	1,495,101,137.26	17.55	-7.90	-10.61	2.51

Main business data of the previous year restated according to the changed statistical caliber for the reporting period

□ Applicable √ Inapplicable

(3) Are the Company's goods selling revenue higher than the service revenue?

√ Yes □ No

Unit: Unit

Industry	Item	2016	2015	YoY +/-%
Small home appliance manufacture	Sales volume	20,590,331	20,156,184	2.15
	Output	20,347,115	20,437,645	-0.44
	Stock	1,269,861	1,513,077	-16.07

Reasons for any over-30% YoY movement of the data above:

□ Applicable √ Inapplicable

(4) Execution of signed significant sales contracts of the Company up to the reporting period

□ Applicable √ Inapplicable

(5) Operating cost form

Breakdown of main operating costs

Unit: RMB Yuan

Item	2016		2015		+/-%
	Amount	In total operating costs (%)	Amount	In total operating costs (%)	
By segments					
Small home appliance	1,465,963,830.11	98.05	1,650,198,796.68	98.66	-11.16
Other	29,137,307.15	1.95	22,426,043.53	1.34	29.93
Total	1,495,101,137.26	100.00	1,672,624,840.21	100.00	-10.61
By products					
Cooking tools	963,867,693.01	64.47	1,056,546,841.40	63.17	-8.77
Home helper	345,624,878.77	23.12	373,447,044.88	22.33	-7.45
Tea/Coffee makers	150,627,128.90	10.07	207,140,807.34	12.38	-27.28
Other products	5,844,129.43	0.39	13,064,103.06	0.78	-55.27
Other services	29,137,307.15	1.95	22,426,043.53	1.34	29.93
Total	1,495,101,137.26	100.00	1,672,624,840.21	100.00	-10.61

(6) Whether there were changes of the consolidation scope during the reporting period

√ Yes □ No

A new subsidiary Xiamen Tsannkuen Home Appliance Design Co., Ltd. was incorporated in Mar. 2016. And it has been included in the Company's consolidated financial statements since the date of its incorporation.

In Sept. 2016, Pt.Star Comgistic Indonesia, a sub-subsidiary under the control of the Company, incorporated a sub-subsidiary Pt.Star Comgistic Property Development Indonesia. And it has been included in the Company's consolidated financial statements since the date of its incorporation.

(7) List of the significant changes or adjustment of the industries, products or services of the Company during the reporting period

□ Applicable √ Inapplicable

(8) List of the major trade debtors and major suppliers

List of the major trade debtors of the Company

Unit: RMB Yuan

Total sales to the top 5 customers	953,101,030.51
Ratio of the total sales to the top 5 customers to the annual total sales (%)	52.56
Ratio of the total sales to related parties among the top 5 customers to the annual total sales (%)	0.00

Information of the top 5 customers of the Company

Unit: RMB Yuan

Serial No.	Name of customer	Sales amount	Proportion in annual total sales
1	No. 1	306,250,306.44	16.89
2	No. 2	230,156,833.37	12.69
3	No. 3	200,148,879.03	11.04
4	No. 4	115,296,209.25	6.36
5	No. 5	101,248,802.42	5.58
Total		953,101,030.51	52.56

Notes of the other situation of the major customers

□ Applicable √ Inapplicable

List of the major suppliers of the Company

Unit: RMB Yuan

Total purchase from the top 5 suppliers	167,279,099.07
Ratio of the total purchase from the top 5 suppliers to the annual total purchase (%)	13.52
Ratio of the total purchase from related parties among the top 5 suppliers to the annual total purchase (%)	3.12

Information of the top 5 suppliers of the Company

Unit: RMB Yuan

No.	Name of supplier	Purchase amount	Ratio to the annual purchase amount (%)
1	No. 1	41,897,249.87	3.39
2	No. 2	38,531,193.04	3.12
3	No. 3	29,581,909.88	2.39
4	No. 4	29,003,537.80	2.34
5	No. 5	28,265,208.48	2.29
Total		167,279,099.07	13.52

Notes of the other situation of the major suppliers: naught

3. Expenses

Unit: RMB Yuan

Item	2016	2015	YoY +/- (%)	Notes of the significant changes
Taxes and surtaxes	11,297,603.16	6,915,701.14	63.36	Taxes under the item of administrative expenses have been shifted to the item of taxes and surtaxes pursuant to the changes in the accounting standards
Selling expenses	86,990,340.73	88,906,244.68	-2.15	
Administrative expenses	157,298,660.12	184,799,329.54	-14.88	
Finance costs	-31,511,102.68	-35,505,671.63	-11.25	
Asset impairment losses	37,977,395.81	15,910,353.70	138.70	Increased inventory falling price losses due to product disputes and increased provisions against fixed assets showing impairment signs due to the shutdown of outdated production lines

Item	2016	2015	YoY +/- (%)	Notes of the significant changes
Gains on fair value changes	8,462,500.00	-7,116,240.15	218.92	Reversal of assessed losses on undelivered forward forex contracts
Investment gains	2,695,530.06	16,587,981.27	-83.75	Assessed losses on delivered forward forex contracts
Non-business income	10,316,211.87	8,178,467.43	26.14	Increased indemnity income
Non-business expenses	916,707.28	72,442.69	1,165.42	Increased losses on asset disposal in plant reconstruction
Income tax expenses	13,734,134.32	8,177,532.16	67.95	Increased income tax provision for subsidiary Zhangzhou TsannKuen

4. R&D investment

√ Applicable □ Inapplicable

Note: The Company shall explain the purposes of its R&D programs in the year, the program progress and targets, as well as the estimated influence on its future development.

R&D investment of the Company

Item	2016	2015	+/- (%)
Number of the R&D personnel (person)	409	380	7.63
Ratio to the R&D personnel (%)	9.41	8.39	1.02
Investment amount of the R&D (RMB Yuan)	68,602,455.27	78,559,444.54	-12.67
Ratio of the R&D investment to the operating income (%)	3.78	3.99	-0.21
Amount of the capitalized R&D investment (RMB Yuan)	0.00	0.00	0.00
Ratio of the capitalized R&D investment to the R&D investment	0.00	0.00	0.00

Reason of remarkable changes over the last year of the ratio of the total R&D investment amount to the operating income

□ Applicable √ Inapplicable

Reason of the greatly change of the ratio of the R&D investment capitalization and its reasonable explanation

□ Applicable √ Inapplicable

5. Cash flow

Unit: RMB Yuan

Item	2016	2015	YoY +/- (%)
Subtotal of cash inflows from operating activities	2,002,208,537.18	2,255,544,625.45	-11.23
Subtotal of cash outflows from operating activities	1,894,040,617.12	2,174,711,900.89	-12.91
Net cash flows from operating activities	108,167,920.06	80,832,724.56	33.82
Subtotal of cash inflows from investing activities	659,043,690.31	1,507,187,686.64	-56.27
Subtotal of cash outflows from investing activities	687,363,516.35	1,296,943,904.72	-47.00
Net cash flows from investing activities	-28,319,826.04	210,243,781.92	-113.47
Subtotal of cash inflows from financing activities	120,059,991.37	589,631,350.91	-79.64
Subtotal of cash outflows from financing activities	157,869,056.57	700,902,924.31	-77.48
Net cash flows from financing activities	-37,809,065.20	-111,271,573.40	66.02
Net increase in cash and cash equivalents	62,370,868.24	205,859,413.28	-69.70

Notes of the major effects on the YoY significant changes occurred of the data above

√ Applicable □ Inapplicable

1. Net cash flows from operating activities increased 33.82% from last year mainly due to the cut in costs.

2. Net cash flows from investing activities decreased 113.47% from last year mainly due to the decreased net inflows of restricted term deposits.

3. Net cash flows from financing activities increased 66.02% from last year mainly due to the decreased repayments.

Reason for any big difference between the net operating cash flow and the net profit for the reporting period

√ Applicable □ Inapplicable

The difference was mainly due to the extended terms of the notes paid to suppliers.

III. Analysis of the non-core business

√ Applicable □ Inapplicable

Unit: RMB Yuan

Items	Amount	Ratio to the total profits amount (%)	Notes of the causes	Recurring or not
Investment gains	2,695,530.06	3.52	Gains on wealth management products and assessed losses on delivered forward forex contracts	Yes
Gains/losses on fair value changes	8,462,500.00	11.04	Reversal of assessed losses on undelivered forward forex contracts	Yes
Asset impairment losses	37,977,395.81	49.52	Inventory falling price loss	Yes
Non-business income	10,316,211.87	13.45	Government subsidies and indemnity income	Yes
Non-business expenses	916,707.28	1.20	Losses on asset disposal	Yes

IV. Assets and liabilities

1. Significant changes in asset composition

Unit: RMB Yuan

Item	As at 31 Dec. 2016		As at 31 Dec. 2015		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	749,497,115.33	44.15	756,224,861.29	45.50	-1.35	None
Accounts receivable	273,086,616.38	16.09	219,610,407.48	13.21	2.88	None
Inventories	223,569,121.90	13.17	264,378,374.84	15.91	-2.74	None
Investment property	42,158,120.51	2.48	46,185,216.68	2.78	-0.30	None
Fixed assets	174,529,010.36	10.28	177,056,961.83	10.65	-0.37	None
Construction in progress	269,633.08	0.02	210,916.60	0.01	0.01	None

2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB Yuan

Item	Opening balance	Profit/loss on fair value changes in this reporting period	Cumulative fair value changes charged to equity	Impairment provided in this reporting period	Purchased in this reporting period	Sold in this reporting period	Closing balance
Financial assets							
1. Financial assets at fair value through profit/loss (excluding derivative financial assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	0.00	0.00	0.00	0.00	0.00	27,550,209.70	0.00
3. Available-for-sale financial assets	40,000.00	0.00	0.00	0.00	0.00	0.00	40,000.00
Subtotal of financial assets	40,000.00	0.00	0.00	0.00	0.00	27,550,209.70	40,000.00
Investment property	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Productive living assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total of the above	40,000.00	0.00	0.00	0.00	0.00	27,550,209.70	40,000.00
Financial liabilities	8,462,500.00	-8,462,500.00	0.00	0.00	20,034,300.00	270,706,825.97	0.00

3. Restricted asset rights as of the end of this reporting period

□ Applicable √ Inapplicable

V. Investments made

1. Total investments made

√ Applicable □ Inapplicable

Unit: RMB Yuan

Investments made in this reporting period	Investments made in the prior year	+/-%
44,218,576.00	322,475.00	13,612.25

2. Significant equity investments made in this reporting period

□ Applicable √ Inapplicable

3. Significant non-equity investments ongoing in this reporting period

□ Applicable √ Inapplicable

4. Financial investments

(1) Securities investments

□ Applicable √ Inapplicable

(2) Investment in derivative financial instruments

√ Applicable □ Inapplicable

Unit: RMB'0,000

Operating party	Relation	Related-party transaction or not	Type of investment in derivative financial instruments	Initial investment amount	Commencement date	Termination date	Investment amount at the beginning of the period	Pursed in this reporting period	Sold in this reporting period	Amount provided for impairment	Investment amount at the end of the period	Ratio of investment amount at the end of the period to the Company's net asset at the end of the period (%)	Actual profit/loss for the period
Bank	Non-related	No	Forward forex	29,825.70	2016-01-01	2016-12-31	27,816.19	2,003.43	29,825.70		0.00	0.00	99.79
Total				29,825.70			27,816.19	2,003.43	29,825.70		0.00	0.00	99.79
Source of investment funds				All from the Company's own funds									
Lawsuits				No lawsuits									
Disclosure date of the announcement about the board's consent for the investment				2013/3/12									
Disclosure date of the announcement about the general meeting's consent for the investment				2013/5/18									

<table>
<tr><th>Operating party</th><th>Relation</th><th>Related-party transaction or not</th><th>Type of investment in derivative financial instruments</th><th>Initial investment amount</th><th>Commencement date</th><th>Termination date</th><th>Investment amount at the beginning of the period</th><th>Pursed in this reporting period</th><th>Sold in this reporting period</th><th>Amount provided for impairment</th><th>Investment amount at the end of the period</th><th>Ratio of investment amount at the end of the period to the Company's net asset at the end of the period (%)</th><th>Actual profit/loss for the period</th></tr>
<tr><td colspan="4">Risk analysis and risk control measures for positions held in derivatives in this reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</td><td colspan="10">1. Analysis on risks from holding of derivative products: gains or losses from difference between contracted exchange rate and market exchange rate on value date.
2. Control measures:
(1) Principle: The purpose of the financial derivative operation is to avoid risks. The Company shall not conduct transactional operation for other purposes than risk avoidance. The Company shall not conduct complex derivative trading above the actual operation needs and shall not speculate in derivative trading with hedging as an excuse. The overall contractual amount for risk avoidance of the Company shall not exceed the summation of the net risk exposure of the existing assets and liabilities and the net risk exposure of assets and liabilities arising from the operation of the Company in the coming year.
(2) Staff requirements: Personnel taking part in the investment shall all fully understand the risks of derivative investment and strictly execute the business operation and risk management mechanisms for derivative investment.
(3) Operation standardization: Before making a derivative investment, the Company shall rationally equip itself with professional personnel for investment decision-making, business operation, risk control, etc. It shall also inquire and compare among various markets and products. Besides, it shall strictly control the variety and size of derivative investment and try to choose derivative trading on exchange as much as possible.
(4) Periodic evaluation: Derivative investments shall be evaluated at least twice for a month and the evaluation report shall be sent to a high-ranking executive authorized by the Board of Directors. And a derivative investment report shall be sent to the Board of Directors annually. The Company and its subsidiaries only need to submit to the Board of Directors of the subsidiaries.
(5) Loss limit: The investment loss on a single derivative and all the investment loss shall not exceed 20% of the total investment amount.
(6) Audit system: The audit department audits derivative product trading periodically and submits audit reports to relevant units.</td></tr>
<tr><td colspan="4">Changes in market price or fair value of derivatives invested in this reporting period (specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives)</td><td colspan="10">(1) Gains on delivered derivatives in the reporting period were RMB-7.4646 million, and RMB8.4625 million of assessed losses on forward forex contracts was reversed, which made the actual net benefit for the current period at RMB0.9979 million.
(2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month.
(3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.</td></tr>
<tr><td colspan="4">Significant changes in the Company’s accounting policies and specific accounting principles for derivatives in this reporting period as compared to the prior period</td><td colspan="10">No significant changes</td></tr>
<tr><td colspan="4">Special opinions expressed by independent directors concerning the Company’s derivatives investment and risk control</td><td colspan="10">The Company has carried out a strict internal assessment for the financial derivative business and has established a corresponding supervision mechanism. We are of the opinion that the financial derivative business conducted by the Company is fairly necessary in its routine operation and is in compliance with relevant laws and regulations, with the risks controllable.</td></tr>
</table>

5. Use of funds raised

□ Applicable √ Inapplicable

No such cases in this reporting period

VI. Sale of major assets and equity interests

1. Sale of major assets

□ Applicable √ Inapplicable

2. Sale of major equity interests

□ Applicable √ Inapplicable

VII. Main controlled and joint stock companies

Main subsidiaries and joint stock companies

Unit: RMB Yuan

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Controlled subsidiary	Small home appliance manufacturing	USD160 million	1,988,502,585.32	1,279,528,944.67	1,732,713,975.00	97,448,527.15	94,491,878.20
Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Controlled subsidiary	Small home appliance manufacturing	USD40 million	90,851,497.41	87,489,688.11	1,435,263.70	-2,039,181.82	-2,039,181.82
Pt.Star Comgistic Indonesia	Subsidiary of a controlled subsidiary	Small home appliance manufacturing	USD30 million	126,390,302.91	99,323,378.85	74,066,190.49	-18,261,090.47	-18,855,657.81
Tsannkuen Edge Intelligence Co., Ltd.	Subsidiary of a controlled subsidiary	Industrial design	NTD200 million	18,648,948.75	14,372,926.32	1,809,707.95	-8,010,584.91	-9,089,652.03

Subsidiaries obtained or disposed in this reporting period

√ Applicable □ Inapplicable

Subsidiary name	How subsidiary was obtained or disposed in this reporting period	Impact on overall operation and results
Xiamen Tsannkuen Home Appliance Design Co., Ltd.	Incorporated	Impact on the Company's net profit for this reporting period: RMB1,727.75
Pt.Star Comgistic Property Development Indonesia	Incorporated	Impact on the Company's net profit for this reporting period: RMB-60,156.48

VIII. Structured bodies controlled by the Company

□ Applicable √ Inapplicable

IX. Outlook of the Company's future development

(I) Industry development trend and outlook of the market

As the wireless, IT and intelligent era comes, the trend of intelligent home appliances boosts intelligence, healthiness, fashion, combination and culture and technology, cross-field integration of design, innovation and marketing modes and brand concepts, and to count in the business development of e-commerce. The market that the Company will face in 2017 has the following features:

1. Profound change will happen to the global market structure of household appliances in 2017. Emerging markets such as Southeast Asia, Middle East and North America will achieve a high-speed growth. Mature markets like Europe and North America will also show a tendency of positive growth.

2. In terms of the main export markets, China exports more household appliances to developed countries than emerging economies and the US is still the biggest market for China's export of household appliances. In 2017, the global economy will continue to grow, as well as the developed economies in America and Europe, which will provide bigger export markets for China. The export growth potential brought by the new demand from emerging economies will become a hotspot for the growth of the small household appliance market in the future.

3. China is still considered a strong market. The home appliance industry of China has entered an era featuring brand as the winning trump. Different from the traditional home appliances, the small home appliances are still in a developing stage in terms of sale. As the way of spending changes, more new products enter the market and old appliances are being renewed, domestic demand for small home appliances will soar and the industry will enjoy good prospects. Actually, it is expected that the coming few years will be a golden period for the development of the small home appliance market of China.

4. New urbanization gives us a fresh view about China's city pattern and direction of future development. Growing, positive cities at the second and third tiers with strong purchasing power are becoming high-end markets in an unprecedented speed. We believe the "new first-tier markets" growing from the markets at the second and third tiers will make a strong engine for China's economic growth in the future.

5. Due to the impact of e-commerce, the physical stores of household appliances are experiencing declining revenue with a falling consumer demand. What's more, considerately growing rent and labor cost put more pressure on these offline stores. Therefore, e-commerce has become an important strategy for home appliance makers and sellers. Stimulated by the e-commerce strategy, online stores have home appliances in more varieties to offer, with improving logistics and after-sales services. Meanwhile, with an increasingly mature online shopping concept of consumers, the online market of home appliances expands quickly.

6. As more and more strong as well as large appliance brands and international brands are stepping into the small home appliance industry, competition will become fiercer. The small home appliance business will step in the operation of professional, systematic and branding, in order to fight for more market shares. Depending on its capital and R&D advantages, it will gradually eliminate a batch of small brand enterprises which are comparatively feeble, lack of research and cost advantage and the market networks management advantage. It is

noteworthy that, under the dual demand stimulus of the improvement of the consumers' consciousness of energy conservation and environmental protection as well as the purchasing of the living quality, the consumption of old for new service of the future urban market will put more emphasis on the higher technical content and better quality high-end home appliances, which will offer powerfully market power to the industrial upgrading of the electric utility of our nation.

7. Intelligent and green small household appliances will enter serialization and mass production. Considering the stricter international environmental standards, China has launched a set of energy efficiency standards, strongly promoting the popularization of energy-saving products through tough measures including price reform and taxation. Small household appliances with energy-saving characteristic will become the mainstream in the sector sooner or later. And the Company also focuses its efforts on healthy, energy-saving and green appliances.

(II) Strategies for future development

1. Strategy of continuous domestic market development

Owning to the reforming of the strategy of domestic market development, the development main spindle of the future products will aim at China, which is the world largest home appliances market as the springboard; and will spread out the brand planning and marketing which focuses on coffee makers, home helpers and cooking tools. Strengthen the China brand strategy and build a leading small home appliance brand in Asia.

2. Intimate consumer relation management

To construct a sound platform of sales service and offer the structured solution plan to the customers standing in their position, to make real gene modification; cost leadership is not the core strategy of an enterprise, is the foundation of an enterprise. The true core strategy for an enterprise is to create more intimacy with customers, provide products that satisfy customers' needs and build up differentiate competitive edges.

3. Innovation, green and intelligent divisions

Increase the design resources investment, and relocate and plan for the design team bases on the green industry, environmental protection, energy saving, global innovation platform at the same time, so thus to insist in the design integration interdisciplinary and the innovation of the marketing mode as well as the brand concept. Lead and drive the Company's transformation and the deployment of the products such as the new careers, new fields, intelligent control and the Internet of Things with innovation and originality.

4. Continue strengthen of the overseas manufacturing deployment and enhance of manufacturing enterprises competitiveness

Considering the rapid growth of emerging economies and the rise of the surrounding economies of Southeast Asia, the Company will, with its overseas production bases, accelerate supply chain integration and local procurement for lower costs, attend overseas fairs, place advertisements in target markets and speed up the development of the Asian market in 2017.

(III) Future risk analysis

1. International

Influenced by the slowly recovery of the global economy, the enlarge of the exchange rate fluctuation, the enhance of the domestic comprehensive cost, and with global inflation pressure that cannot be eased in the short run and more and more non-economic obstacles from western countries in their trading with China, foreign trade of China will face, without doubt, a more complicated environment and more serious conflicts in 2017.

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

As for the risks of the culture difference: the overseas expansion of the electrical home appliances desiderate the adjustment of culture and products; the culture difference between China and other countries affect the difference process of the sales process of the electrical home appliances at different degrees and different aspects, while the fusion of the culture and the adaptation of the products are the two key elements of the success of the enterprises and to blend in the cultural environment of different regions as well as to reduce the cost expenses brought by the unsteady elements as much as possible is the important content of the overseas expansion of the enterprises.

2. Domestic

Y2017 will be the key year of the entirely promotion of the domestic great reform and adjustment and the year that the new normalcy of domestic economy entirely step into the Crucial Period. The domestic and oversea environment is still of anfractuosity as well as the economy development is still facing with many difficulties and challenges. However, the basic conditions of the domestic economy development is still comparative good that will still provide favorable market environment and development space for the electrical home appliances.

In recent years, the domestic per capita income grew steadily with the rise range of the price of commodities declined, and at the same time influenced by the internal and external force factors such as the Chinese shopping spree, which stimulated the consuming intention boosted constantly; as the constantly deepen of the domestic economy transformation, the future economy will realize healthy and sustainable growth, which will depend on the consumption demands of each Chinese customers as the consumption driving force of the domestic economy has been strengthening.

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

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

3. Exchange rate fluctuation

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

4. Increase of the labor costs and the labor shortage

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

5. Environmental protection low-carbon

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

X. Visits paid to the Company for purposes of research, communication, interview, etc.

1. In this reporting period

√ Applicable □ Inapplicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
2016-02-01	By phone	Individual	About the B-share reform and the transfer of equity interests in Shanghai TsannKuen with no written materials provided by the Company
2016-02-02	By phone	Individual	About the transfer of equity interests in Shanghai TsannKuen with no written materials provided by the Company
2016-05-09	By phone	Individual	About the financial information in the first quarter report and the transfer of equity interests in Shanghai TsannKuen with no written materials provided by the Company
2016-05-13	By phone	Individual	About the transfer of equity interests in Shanghai TsannKuen with no written materials provided by the Company
2016-05-17	By phone	Individual	About the production and operation of the Company with no written materials provided by the Company
2016-09-25	By phone	Individual	About the production and operation of the Company and its Xiamen plant rental with no written materials provided by the Company
2016-12-22	By phone	Individual	About the B-share reform with no written materials provided by the Company

2. From the end of this Reporting Period to the disclosure date of this Report

Times of visit	7
Number of visiting institutions	0
Number of visiting individuals	7
Number of other visitors	0
Significant undisclosed information disclosed, revealed or leaked	None

Section V. Significant Events

I. List of the profits distribution of the common shares and turning capital reserve into share capital of the Company

List of the formulation, execution or adjustment of the profits distribution policies of the common shares, especially the cash dividend policies

√ Applicable □ Inapplicable

For the details of the profits distribution of Y2015 of the Company, please refer to the Announcement on the 2015 Annual Equity Distribution Execution disclosed on the Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 Jun. 2016. And the said profit distribution has been executed according to the schedule contained in the announcement.

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

List of the dividend distribution proposal (preplan) of the common shares and the proposal (preplan) of turning capital reserve into share capital of the Company of the recent 3 years (the reporting period inclusive)

For 2014, the Company distributed a cash dividend of RMB1.5 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital. For 2015, the Company distributed a cash dividend of RMB1 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital. For 2016, the Company intended to distribute a cash dividend of RMB1.2 (tax included) for every 10 shares held by its shareholders, and the estimated distributable profits of the Company was RMB22,247,001.60 with the retained profits of RMB120,118,566.89 for carry-forward to the next year. There was no turn from capital reserve to share capital for the year.

Cash dividend distribution of the common shares of the Company of the recent 3 years (including the reporting period)

Unit: RMB Yuan

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2016	22,247,001.60	48,229,497.36	46.13%	0.00	0.00%
2015	18,539,168.00	34,658,898.51	53.49%	0.00	0.00%
2014	27,808,752.00	51,348,795.39	54.16%	0.00	0.00%

The Company (including its subsidiaries) made profit in the reporting period and the profits distribution of the common shares held by the shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution of the common shares:

□ Applicable √ Inapplicable

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

√ Applicable □ Inapplicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	1.2
Turning capital reserve into share capital for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	185,391,680
Total cash dividends (RMB Yuan) (tax included)	22,247,001.60
Distributable profit (RMB Yuan)	142,365,568.49
Percentage of the cash bonus of the total profits dividends	100%
Cash dividend situation	
If the development stage of the Company belongs to the mature period without any significant assets expenditure arrangement, when executing the profits distribution, the ratio of the cash dividend to the profits distribution of the reporting period should at least reach 80%.	
Details about the profit allocation or turning capital reserve into share capital	
For 2016, the Company intended to distribute a cash dividend of RMB1.2 (tax included) for every 10 shares held by its shareholders, and the estimated distributable profits of the Company was RMB22,247,001.60 with the retained profits of RMB120,118,566.89 for carry-forward to the next year. There was no turn from capital reserve to share capital for the year.	

III. Performance of commitments

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

√ Applicable □ Inapplicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes						
Commitments made upon the assets replacement						
Commitments made upon first issuance or refinance						
Commitment on equity incentive						
Other commitments made to minority shareholders	FILLMAN INVESTMENTS LIMITED	Commitment on shareholding increase	Based on the confidence on the continuous and stable development of the Company, it committed to increase the shareholding if the Company's stock price lower than HKD2.40 per share after the implementation of the shares contraction and trading resumption, and it would increase no more than 2% shares (i.e. 3.7078 million shares) of the total shares issued by the Company within one year since the date of initial shareholding increase. If the plan on increasing holding 2% shares of the total shares is completed, if the stock price hasn't reached the target price, it will perform relevant approval procedures, and propose to CSRC on continuous implementation of shareholding increase by exemption of offering.	28 Dec. 2012	Within one year since the date of initial shareholding increase	The Company's stocks resumed trading on 31 Dec. 2012, but the Company's stock price hasn't met the condition for shareholding increase since the date of trading resumption, FILLMAN Investment Limited hasn't implemented the shareholding increase plan.
Executed on time or not	Yes					

2. Where there had been an earnings forecast for an asset or project and this reporting period was still within the forecast period, explain why the forecast has been reached for this reporting period.

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

V. Explanations given by the Board of Directors, the Supervisory Board and the independent directors (if any) regarding the "auditor's non-standard report" issued by the CPAs firm for this reporting period

□ Applicable √ Inapplicable

VI. YoY changes in accounting policies, estimations and methods

□ Applicable √ Inapplicable

VII. Retroactive restatement due to correction of material accounting errors in this reporting period

□ Applicable √ Inapplicable

VIII. YoY changes in the scope of the consolidated financial statements

√ Applicable □ Inapplicable

A new subsidiary Xiamen Tsannkuen Home Appliance Design Co., Ltd. was incorporated in Mar. 2016. And it has been included in the Company's consolidated financial statements since the date of its incorporation.

In Sept. 2016, Pt.Star Comgistic Indonesia, a sub-subsidiary under the control of the Company, incorporated a sub-subsidiary Pt.Star Comgistic Property Development Indonesia. And it has been included in the Company's consolidated financial statements since the date of its incorporation.

IX. Engagement and disengagement of CPAs firm

Current CPAs firm

Name of the domestic CPAs firm	Ruihua Certified Public Accountants (LLP)
The Company's payment for the domestic CPAs firm (RMB'0,000)	133
Consecutive years of the audit service provided by the domestic CPAs firm	4
Names of the certified public accountants from the domestic CPAs firm	Yang Ganlin, Chen Lianwu

Indicate by tick mark whether the CPAs firm was changed in this reporting period

□ Yes √ No

Indicate by tick mark whether the CPAs firm was changed during the audit

□ Yes √ No

CPAs firm, financial advisor or sponsor engaged for internal control audit

√ Applicable □ Inapplicable

For the reporting period, the Company engaged Ruihua Cerfied Public Accountants (LLP) as the internal control auditor and did not hire any financial advisor or sponsor.

X. Possibility of listing suspension or termination after disclosure of this Report

□ Applicable √ Inapplicable

XI. Bankruptcy and restructuring

□ Applicable √ Inapplicable

XII. Significant litigations and arbitrations

√ Applicable □ Inapplicable

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB'0,000)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
The progress events of the appeal between the Company's controlling subsidiary—Zhangzhou Tsann Kuen and Xinda Motor	237.55	No	Civil Final Judgment issued by Fujian High People's Court was received on December 23, 2016.	Final Judgment issued by Fujian High People's Court is as follow: 1. Item 3, 4 and 5 stated in the (2012)ZMCZi No. 8 Civil Judgment issued by Zhangzhou Intermediate People's Court shall remain (Item 3: 10 orders unperformed between Xinda Motor & Boluo County Lianyuan Industrial Technology Co., Ltd. (the prosecutor) and Zhangzhou Tsann Kuen (the defendant) shall be terminated. Item 4: Other claims from Xinda shall be rejected. Item 5: Other counter-claim requests from Zhangzhou Tsann Kuen shall be rejected.); 2. Item 1 stated in the (2012)ZMCZi No. 8 Civil Judgment issued by Zhangzhou Intermediate People's Court shall be changed: Zhangzhou Tsann Kuen shall pay RMB 2,375,547.92 Yuan to Xinda Motor within 15 days after such judgment comes into effect; 3. Item 2 stated in the (2012)ZMCZi No. 8 Civil Judgment issued by Zhangzhou Intermediate People's Court shall be changed: Xinda Motor and Boluo County Lianyuan Industrial Technology Co., Ltd. Shall jointly pay RMB 537,411.84 Yuan as the penalty to Zhangzhou Tsann Kuen within 15 days after such judgment comes	RMB 1,838,136.08 Yuan was transferred and paid to Zhangzhou Intermediate People's Court on March 1, 2017.	December 27, 2016	www.cninfo.com.cn

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB'0,000)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
				into effect. The litigation fee for the second trial shall be RMB78,604 Yuan, of which, Xinda Motor shall pay RMB18,437 Yuan, and Zhangzhou Tsann Kuen RMB 60,167 Yuan: the litigation fee for the first trial and other expenses shall be paid based on the original judgment. The payment for goods amounting to RMB2,375,547.92 Yuan stated in Item 2 was recognized in previous year. Therefore, this judgment will not cause major influence on the company's profit of the period or after the period.			

XIII. Punishments and rectifications

√ Applicable □ Inapplicable

Name	Type	Reasons	Type of Investigation and Punishment	Conclusion	Disclosure Date	Disclosure Index
TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Corporation	On 15 March 2016, the "3.15"evening party held by CCTV that reported a product of the Company on the unqualified situation among the state administration of quality supervision and spot check.	Environment-protection Bureau, Safety Supervision Department, Tax Department and other administrative departments have rendered significant administrative penalties.	Rectification Works were completed without any dispute in relevant administrative penalties; no hearing was requested and such penalty was accepted.	January 20, 2017	www.cninfo.com.cn

Details about rectification

√ Applicable □ Inapplicable

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

On January 18, 2017, the company's controlling subsidiary---Zhangzhou Tsann Kuen received Administrative Penalty Notice (ZT)ZJFG [2017] NO. 1 issued by Zhangzhou Bureau of Quality and Technical Supervision, and the following administrative penalties shall be executed: 1. Unqualified electric ovens and toasters (Model: TSK-2131GPN Love Teppanyaki) shall not be produced and sold; 2. 989 pieces ofuUnqualified electric ovens and toasters (Model: TSK-2131GPN Love Teppanyaki) illegally manufactured and sold shall all be confiscated; 3. The penalty doubling the value of goods (RMB 183,200 Yuan) shall be paid; 4. Illegal gains amounting to RMB 804.83 Yuan shall be confiscated. However, the total fines shall be RMB ONE HUNDRED AND EIGHTY FOUR THOUSAND AND FOUR YUAN EIGHT JIAO AND TREE FEN (¥184,004.83). Zhanzhou Tsann Kuen had no dispute in relevant administrative penalties executed by Zhangzhou Bureau of Quality and Technical Supervision, requested no hearing and accepted all penalties. Please see details disclosed by the company on the Announcement on the Subsidiary's Receiving of Administrative Penalty Notice issued by Zhangzhou Bureau of Quality and Technical Supervision on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 18 March 2017.

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

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

XVI. Significant related-party transactions

1. Related-party transactions relevant to routine operation

√ Applicable □ Inapplicable

Unit: RMB'0,000

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount	Proportion in same kind of transactions (%)	Approved transaction quota	Whether exceed the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Thermaster Electronic (Xiamen) Ltd.	Company directly controlled by actual controller and their close family members	Purchase of commodities	Purchase of raw parts and mechanical parts	Based on the market price and the both parties abide to the principles fair and reasonable	N/A	3,863.12	3.12	4,256.00	No	Settled according to the contracts signed by the both parties	None	2016/3/15	www.cninfo.com.cn
Star Comgistic Trading Co., Ltd.	Ultimate controlling company	Sale of commodities	Sale of components and finished products			1,558.33	0.89	1,818.00					
Total						5,421.45							
Details of large amount of sales returns				N/A									
As for the prediction on the total amount of routine related-party transactions to be occurred in the reporting period by relevant types, the actual performance in the reporting period				N/A									
Reason for significant difference between the transaction price and the market price				N/A									

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

√ Applicable □ Inapplicable

Unit: RMB’0,000

<table>
<tr><th>Related party</th><th>Relationship</th><th>Type of the related-party transaction</th><th>Content of the related-party transaction</th><th>Pricing principle of the related-party transaction</th><th>Book value of the assets transfer</th><th>Assessed value of the assets transfer</th><th>Transfer price</th><th>Settlement method of related transactions</th><th>Gains and losses of transactions</th><th>Disclosure date</th><th>Disclosure index</th></tr>
<tr><td>Star Comgistic Trading Co., Ltd.</td><td>Ultimate controlling company</td><td>Equity transfer</td><td>Transfer of equity interests in Tsannkuen Edge Intelligence Co., Ltd.</td><td>Assessed price</td><td>88.39</td><td>600.3</td><td>627.85</td><td>Settled according to the contracts signed by the both parties</td><td>-908.97</td><td>2016-04-21</td><td>www.cninfo.com.cn</td></tr>
<tr><td colspan="4">Reason of the large difference between the transfer price and the book value or the assessed value</td><td colspan="8">Star Comgistic Capital Co., Ltd. set up a wholly-owned subsidiary—Tsann Kuen Edge Intelligence—on 4 March 2015 with a paid-up capital of NTD30 million (approximately RMB6.003 million). Zhangzhou Tsann Kuen, a controlled subsidiary of the Company, acquired the equity interests of Tsann Kuen Edge Intelligence through Orient Star Investments Limited, a wholly-owned subsidiary set up by Zhangzhou Tsann Kuen in Hong Kong.
Zhangzhou Tsann Kuen, Orient Star Investments and Star Comgistic Capital signed the Agreement on Transfer of Equity Interests of Tsann Kuen Edge Intelligence Co., Ltd. on 24 April 2015, according to which Star Comgistic Capital would transfer the 100% equity of Tsann Kuen Edge Intelligence to Orient Star Investments for USD968,545.48. Orient Star Investments did not receive the acquisition approval from the Taiwan administration until 15 March 2016, and the Company actually combined the equity of Tsann Kuen Edge Intelligence on 31 March 2016. Since there is a period of nearly a year between the actual combination day and the contract signing day, a big difference occurs between the transfer price and the book value of Tsann Kuen Edge Intelligence.</td></tr>
<tr><td colspan="4">Influences on the operation result and financial conditions</td><td colspan="8">Tsannkuen Edge Intelligence Co., Ltd. achieved net profit of RMB-9.0897 million in 2016 and RMB-2.8312 million in 2015.</td></tr>
<tr><td colspan="4">Give operating results for the reporting period where the transaction involves any performance commitment</td><td colspan="8">N/A</td></tr>
</table>

3. Related-party transitions regarding joint investments

□ Applicable √ Inapplicable

No such cases in this reporting period.

4. Credits and liabilities with related parties

√ Applicable □ Inapplicable

Whether was any contract related to the non-operating credits and liabilities with related parties?

□ Yes √ No

5. Other significant related-party transactions

□ Applicable √ Inapplicable

XVII. Significant contracts and execution

1. Entrustment, contracting and leasing

(1) Entrustment

□ Applicable √ Inapplicable
No such cases in this reporting period.

(2) Contracting

□ Applicable √ Inapplicable
No such cases in this reporting period.

(3) Leasing

Explanation of leasing
The Proposal on Lease of Property & Related-party Transactions was reviewed and approved at the Fourth Session of the Board of Directors for 2011 dated 13 August 2011 and the First Special Shareholders' General Meeting for 2011 dated 16 September 2011, for details, please refer to the Announcement on Lease of Property & Related-party Transactions, Announcement on Resolutions Made at the Fourth Session of the Board of Directors for 2011 and Announcement on Resolutions Made at the First Special Shareholders' General Meeting for 2011 disclosed on Securities Times, Hong Kong Ta Kung Pao and http://www.cninfo.com.cn.
The Proposal on Change of Property Leasing Agreement & Related-party Transaction was reviewed and approved at the Second Special Session of the Board of Directors for 2012 dated 30 June 2012 and the Second Special Shareholders' General Meeting for 2012 dated 24 July 2012, for details, please refer to the Announcement on Change of Property Leasing Agreement & Related-party Transaction, Announcement on Resolutions Made at the Second Special Session of the Board of Directors for 2012 and Announcement on Resolutions Made at the Second Special Shareholders' General Meeting for 2012 disclosed on Securities Times, Hong Kong Ta Kung Pao and http://www.cninfo.com.cn.;
The proposal on Lease of Property was received and approved at the First Session of the Board of Directors for 2013 dated 26 June 2013 and for details, please refer to the Announcement on Lease of Property, Announcement on Resolutions Made at the First Session of the Board of Directors for 2013 disclosed on Securities Times, Hong Kong Ta Kung Pao and http://www.cninfo.com.cn.

The lease whose profits reaching more than 10% of the total profits of the Company in the reporting period

√ Applicable □ Inapplicable

Unit: RMB’0,000

Lessor	Name of leasee	Lease assets	The amount of leased assets involved	Beginning date	Termination date	Income	Recognition basis of lease income	Influence to the Company	Related transaction or not	Relationship with the Company
Tsann Kuen (China) Enterprise Co., Ltd.	Tianyuan (Xiamen) Assets management Co., Ltd.	Houses and land	1,740.92	2013/7/1	2018/9/30	866.48	According to the contract signed	17.97%	No	Naught

2. Significant guarantees

□ Applicable √ Inapplicable

3. Entrusted cash management

(1) Entrusted asset management

√ Applicable □ Inapplicable

Unit: RMB’0,000

Name of the trustee	Related transaction or not	Type	Amount	Initial date	Ended Date	Remuneration determination method	Principal amount actually received in reporting period	Amount withdrawn impairment provision	Estimate profit	Amount of actual profits or losses in reporting period	Actual recovery of profits or losses in reporting period
Shenzhen Ping An Bank	Naught	Break-even floating proceeds	8,000.00	2015/12/24	2016/12/23	6.00%	8,000.00	N/A	480.00	480.00	Recovered upon maturity
Xiamen International Bank	Naught	Break-even floating proceeds	15,000.00	2016/1/26	2016/12/29	3.80%	15,000.00	N/A	527.84	535.17	Recovered upon maturity
Shanghai Harfor Lead Asset Management Co., Ltd.	Naught	Break-even floating proceeds	5,000.00	2016/8/16	2017/8/15	5.50%	0.00	N/A	275.00	0.00	Unrecovered
CCB Huli	Naught	Break-even floating proceeds	3,000.00	2016/12/21	2017/2/24	4.00%	0.00	N/A	21.37	0.00	Unrecovered
CCB Huli	Naught	Break-even floating proceeds	5,000.00	2016/12/28	2017/6/28	3.75%	0.00	N/A	93.49	0.00	Unrecovered
Total			36,000.00				23,000.00		1,397.70	1,015.17	
Capital resources			Self-owned fund								
Cumulative amount of principal and earnings maturity that fail to recover			0								
Cases involving lawsuit			Naught								
Disclosure date of announcement on wealth management entrustment reviewed and approved by the Board of Directors			2016/3/15								
Disclosure date of announcement on wealth management entrustment reviewed and approved by the Meeting of Shareholders			2016/5/21								
Whether there is wealth management entrustment plan in future or not?			Subject to market returns and the Company’s funds								

(2) Entrusted loans

□ Applicable √ Inapplicable

4. Other significant contracts

□ Applicable √ Inapplicable

XVIII. Social responsibilities

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

□ Applicable √ Inapplicable

2. Other social responsibilities taken

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

□ Yes √ No

Indicate by tick mark whether a social responsibility report is released

□ Yes √ No

XIX. Other significant events

□ Applicable √ Inapplicable

XX. Significant events of subsidiaries

√ Applicable □ Inapplicable

1. On 24 April 2015, the Company held the 2015 2nd Board of Directors had approved the resolutions, of which the controlling subsidiary Zhangzhou Tsann Kuen Industrial Co., Ltd. (named "Zhangzhou Tsann Kuen" for short with the shareholding of 75%) and firstly set up the wholly owned subsidiary Orient Star Investments Limited (named "Orient Star Investments") then secondly Orient Star Investments invested and purchased the 100% equities of the wholly owned subsidiary Tsannkuen Edge Intelligence Co., Ltd. (named "Tsannkuen Edge Intelligence" for short) of STAR COMGISTIC CAPITAL CO., LTD. (named "STAR COMGISTIC CAPITAL" for short). Orient Star Investments received the relevant letter about approving the purchase of the 100% equities of Tsannkuen Edge Intelligence from Taiwan competent authorities on 15 March 2016 and amount that STAR COMGISTIC CAPITAL received the purchase of the whole equities of Tsannkuen Edge Intelligence by Orient Star Investments on 21 March 2016 was of USD968,545.48. And had completed the relevant alternation procedures of the commercial registration of the equity transfer on 19 April 2016 and with the details, please refer to the Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its

Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 25 April 2015, the Correcting Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Invested on Its Wholly-owned Subsidiary which Purchased the Equity of Tsannkuen Edge Intelligence and the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 28 April 2015, Announcement on the Completion of the Commercial Registration Procedures of the Hong Kong Wholly-owned Subsidiary of Zhangzhou Tsann Kuen that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 May 2015, Announcement on the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen Purchased Tsannkuen Edge Intelligence and the Progress of the Related Transactions that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 16 March 2016 and the Announcement on the Completion of the Commercial Alternation Registration of the Controlling Subsidiary of the Company Zhangzhou Tsann Kuen through the Purchase of Tsannkuen Edge Intelligence by Hong Kong Subsidiary that disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 21 April 2016. According to No. 20 of ASBE - Enterprise Merger, the Transaction formed the enterprise merger under the same control and the main body was regarded as always exist in the previous periods after the merger. The combining party shall adjust the opening amounts and the amounts for the same period of last year of relevant items in the statements.

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

Section VI. Change in Shares & Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	0	0.00%	0	0	0	0	0	0	0.00%
1.1 Shares held by the State									
1.2 Shares held by state-owned corporations									
1.3 Shares held by other domestic investors									
Among which: Shares held by domestic corporations									
Shares held by domestic individuals									
1.4 Shares held by foreign investors									
Among which: Shares held by foreign corporations									
Shares held by foreign individuals									
2. Non-restricted shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
2.1 RMB common shares									
2.2 Domestically listed foreign shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
2.3 Overseas listed foreign shares									
2.4 Other									
3. Total shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%

Reasons for the share changes

□ Applicable √ Inapplicable

Approval of share changes

□ Applicable √ Inapplicable

Transfer of share ownership

□ Applicable √ Inapplicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

□ Applicable √ Inapplicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

□ Applicable √ Inapplicable

2. Changes in restricted shares

□ Applicable √ Inapplicable

II. Issuance and listing of securities

1. Securities (excluding preference shares) issued in this reporting period

□ Applicable √ Inapplicable

2. Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structures

□ Applicable √ Inapplicable

3. Existing staff-held shares

□ Applicable √ Inapplicable

III. Shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the period-end	17,643	Total number of common shareholders at the prior month-end before the disclosure of this Report	17,544	Total number of preference shareholders with resumed voting rights at the period-end	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report	0

5% or greater shareholders or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during this reporting period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
FORDCHEE DEVELOPMENT LIMITED	Foreign corporation	29.10%	53,940,530	Unchanged	0	53,940,530	N/A	0
EUPA INDUSTRY CORPORATION LIMITED	Foreign corporation	13.09%	24,268,840	Unchanged	0	24,268,840	N/A	0
GUOTAI JUNAN SECURITIES(HONG KONG) LIMITED	Foreign corporation	6.05%	11,209,927	-299,578	0	11,209,927	N/A	0
FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	4,621,596	Unchanged	0	4,621,596	N/A	0
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	State-owned corporation	1.09%	2,018,750	1,698,954	0	2,018,750	N/A	0
CHEN YONGQUAN	Domestic individual	1.02%	1,889,019	Unchanged	0	1,889,019	N/A	0
CHEN YONGQING	Foreign individual	0.79%	1,458,349	22,200	0	1,458,349	N/A	0
CHEN LIJUAN	Foreign individual	0.71%	1,308,017	20,200	0	1,308,017	N/A	0
SHENWAN HONGYUAN SECURITIES (HK) LIMITED	Foreign corporation	0.63%	1,170,051	120,300	0	1,170,051	N/A	0
DING XIAOLUN	Domestic individual	0.58%	1,082,300	52,400	0	1,082,300	N/A	0
Related or acting-in-concert parties among the shareholders above		The first, the second and the fourth shareholders are the Company’s corporate controlling shareholders. It is unknown whether the other shareholders of tradable shares are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company’s Shareholders.						

Shareholdings of the top ten non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Number

FORDCHEE DEVELOPMENT LIMITED	53,940,530	Domestically listed foreign share	53,940,530
EUPA INDUSTRY CORPORATION LIMITED	24,268,840	Domestically listed foreign share	24,268,840
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	11,209,927	Domestically listed foreign share	11,209,927
FILLMAN INVESTMENTS LIMITED	4,621,596	Domestically listed foreign share	4,621,596
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	2,018,750	Domestically listed foreign share	2,018,750
CHEN YONGQUAN	1,889,019	Domestically listed foreign share	1,889,019
CHEN YONGQING	1,458,349	Domestically listed foreign share	1,458,349
CHEN LIJUAN	1,308,017	Domestically listed foreign share	1,308,017
SHENWAN HONGYUAN SECURITIES (HK) LIMITED	1,170,051	Domestically listed foreign share	1,170,051
DING XIAOLUN	1,082,300	Domestically listed foreign share	1,082,300
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	The first, the second and the fourth shareholders are the Company's corporate controlling shareholders. It is unknown whether the other shareholders of tradable shares are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company's Shareholders.		
Top ten common shareholders conducting securities margin trading	None		

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during this reporting period.

□ Yea √ No

No such cases in this reporting period.

2. Information about the controlling shareholder

Nature of controlling shareholder: foreign investment holding

Type of controlling shareholder: corporation

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
Fordchee Development Limited	Chen Yanjun	3 Jan. 1990	14676920-000-01-16-A	Investment
EUPA Industry Corporation Limited	Chen Yanjun	21 Jul. 1989	12959659-000-07-16-5	Investment
Fillman Investments Limited	Chen Yanjun	21 Jul. 1992	16269694-000-07-15-4	Investment
Shareholdings of the controlling shareholder in other listed companies at home or abroad in this reporting period	None			

Change of the controlling shareholder during this reporting period

□ Applicable √ Inapplicable

3. Information about the actual controller

Nature of actual controller: foreign individual

Type of actual controller: individual

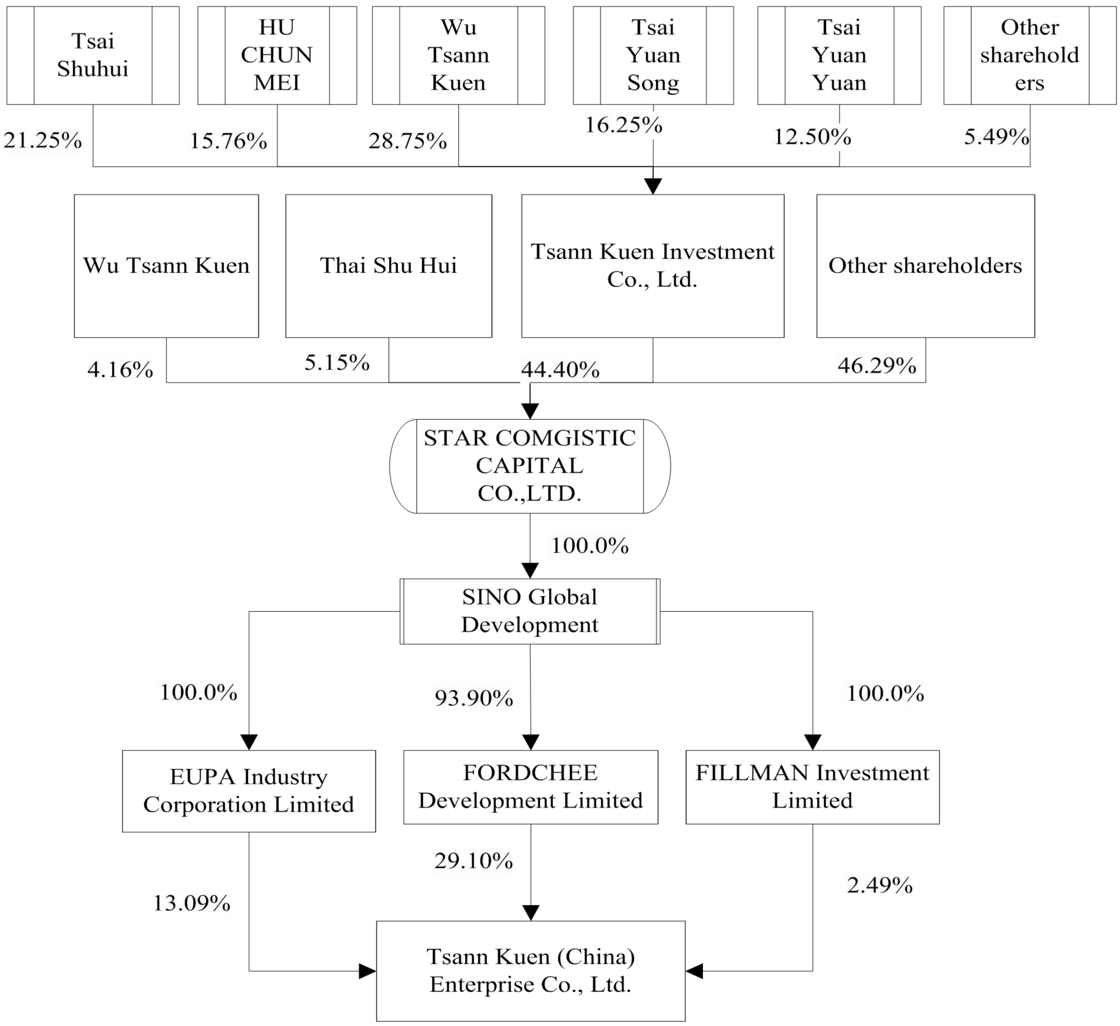
Name of actual controller	Nationality	Right of residence in other countries or regions
Wu Tsann Kuen	Taiwan, China	None
Main occupation and duty	Promoter of TSANN KUEN Group in China and Taiwan	
Used-to-be-holding listed companies at home and abroad in the last ten years	Actual controller of Tsann Kuen (Taiwan) Enterprise Co., Ltd. STAR COMGISTIC CAPITAL (Taiwan) CO., LTD. and Star International Travel Service (Taiwan) Co., Ltd.	

Change of the actual controller during this reporting period

□ Applicable √ Inapplicable

No such cases in this reporting period.

Ownership and control relations between the actual controller and the Company



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

□ Applicable √ Inapplicable

4. 10% or greater corporate shareholders

□ Applicable √ Inapplicable

5. Limited shareholding decrease by the Company's controlling shareholder, actual controller, reorganizer and other commitment makers

□ Applicable √ Inapplicable

Section VII. Preference Shares

□ Applicable √ Inapplicable

No preference shares in this reporting period.

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

I. Changes in shareholdings of directors, supervisors and executive officers

□ Applicable √ Inapplicable

II. Changes in directors, supervisors and executive officers

Name	Office title	Type of change	Date	Reason
Wu Yanru	Financial chief	Dismissed	2016-03-30	Personal reason
Yang Yusheng	Staff-represenatative Supervisor	Resigned	2016-05-31	Personal reason

III. Brief biographies

Main working experience of current directors, supervisors and senior management staff

Name	Position	Working experience and the situation of the jobs or part-time jobs in other units except for the shareholders' units		
Pan Zhirong	Chairman of the Board	2010.07.26-2014.5.20 2010.07.07-2014.5.27 2011.5.21-2014.5.19 2014.03.05-now 2014.05.20-now 2014.05.28-now 2014.06.11-now 2015.01.21-now 2015.02.25-now 2015.5.20-now	Tsann Kuen (China) Enterprise Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. East Sino Development Limited (HK) Tsann Kuen (China) Enterprise Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd. PT.Star Comgistic Indonesia Tsann Kuen China (Shanghai) Enterprise Co., Ltd. Tsannkuen Edge Intelligence Co., Ltd. (Taiwan) Orient Star Investments Limited (HK)	Managing Director Managing Director Director Director Chairman of the Board Chairman of the Board Chairman of the Board Director Chairman of the Board Director
Zhuang Xing	Director	2008.05.24-now 2008.04.25-2014.05.27 2011.01.03-2015.11.30 2011.01.31-2012.03.08 2012.3.9-now 2012.4-2014.8.31	Tsann Kuen (China) Enterprise Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd. Tsann Kuen Enterprise Co., Ltd.(Taiwan) Star International Travel Co., Ltd.(Taiwan) Star International Travel Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan)	Director Director Director Chairman of the Board Director Chief Technical Officer
Chen Yanjun	Director	2008.05.24-now 2008.04.25-2014.05.27	Tsann Kuen (China) Enterprise Co., Ltd.	Director Director

Name	Position	Working experience and the situation of the jobs or part-time jobs in other units except for the shareholders' units		
		2008.04.29-2014.11.30 2012.4-now 2013.02.20-2014.12.25 2015.01.21-now 2015.02.25-now	TsannKuen (Zhangzhou) Enterprise Co., Ltd. Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Star International Travel Co., Ltd.(Taiwan) Tsann Kuen China (Shanghai) Enterprise Co., Ltd. Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Director Chief Risk Control Officer Chairman of the Board Director Director
Tan Zichang	Managing Director	2010.07.26-now 2010.09.01-2013.02.28 2014.05.20-now 2015.02.25-now	TsannKuen (Zhangzhou) Enterprise Co., Ltd. Lianying Technology Co., Ltd (Taiwan) Tsann Kuen (China) Enterprise Co., Ltd. Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Deputy GM of R&D Vice GM Managing Director Director
Tu Liandong	Independent Director	2003.05-2016.08.25 2011.05.21-now 2013.09.11-now 2014.03.17-now 2016.08.26-2016.11.15	Xiamen Ganeng Investment Consulting Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Xiamen Anne Co., Ltd. Xiamen 35.com Technology Co.,Ltd Xiamen Fantai Venture Capital Co., Ltd.	CFO Independent Director Independent Director Independent Director Vice GM
Bai Shaoxiang	Independent Director	2009.01.01-now 2014.05.20-now 2016.12-now	Fujian TENET& PARTNERS Law Office Tsann Kuen (China) Enterprise Co., Ltd. Fujian Torch Electron Technology Co., Ltd.	Partner, Executive Director Independent Director Independent Director
Tang Jinmu	Independent Director	2002.09-now 2014.05.20-now 2015.01.15-now	Xiamen Association of Certified Public Accountants Tsann Kuen (China) Enterprise Co., Ltd. Xingye Technology Co., Ltd.	Secretary general Independent Director Independent Director
Luo Qingxing	Supervisory Board Chairman	2003.01.07-2011.04.23 2011.05.21-now 2011.04.24- 2012.9.17 2012.09.18-now 2015.01.21-now	Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Thermaster Electronic (Xiamen) Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd. Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Secretary of the board Supervisory Board Chairman Vice GM Vice GM Chairman of the Board
Yang Yongquan	Supervisor	2009.12.4-now 2012.07.24-now 2015.01.21-now 2016.4.7-now	Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen China (Shanghai) Enterprise Co., Ltd. Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Vice GM of Account Department Supervisor Director Supervisor

Name	Position	Working experience and the situation of the jobs or part-time jobs in other units except for the shareholders' units		
Zheng Caiyun	Supervisor	2016.06-now 2011.06- now 2008.07-2011.05 1998.08-2008.06	Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd.	Staff-representative Supervisor Financial Manager Vice Financial Manager Account Specialist
Sun Meimei	Board Secretary	2011.04-now 2005.07-2011.04	Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd.	Board Secretary Securities Representative
Feng Zhiqing	Financial Chief	2016.03-now 2014.09-2016.3 2011.04-2014.01 2009.04-2011.02 2004.10-2009.01 2002.12～2003.07 2001.10～2002.11	Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Fortech Co., Ltd. Elitegroup Computer Systems Co., Ltd. Uniplus Electronics Co., Ltd. KPMG Chain Chon Industrial Co., Ltd.	Financial Chief Audit Manager Administrative Manager Assistant Audit Manager Assistant Administrative Manager Audit Manager Financial Manager

Posts concurrently held in shareholding entities

√ Applicable □ Inapplicable

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity
Zhuang Xing	Star Comgistic Capital Co., Ltd. (Taiwan)	Director	2010-03-05	2012-02-01	No
Zhuang Xing	Star Comgistic Capital Co., Ltd. (Taiwan)	Director	2013-06-20		No
Chen Yanjun	Star Comgistic Capital Co., Ltd. (Taiwan)	GM	2010-03-05		Yes
Chen Yanjun	Star Comgistic Capital Co., Ltd. (Taiwan)	Board Chairman	2017-03-07		Yes
Chen Yanjun	Fordchee Development Limited (Hong Kong)	Director	2009-02-26		No
Chen Yanjun	EUPA Industry Corporation Limited (Hong Kong)	Director	2009-02-26		No
Chen Yanjun	Fillman Investments Limited (Hong Kong)	Director	2009-02-26		No

Posts held concurrently in other entities

√ Applicable □ Inapplicable

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from other entity
Tu Liandong	Xiamen Fantai Venture Capital Co., Ltd.	Vice GM	2016-08-26	2016-11-15	Yes
Tu Liandong	Xiamen Ganeng Investment Consulting Co., Ltd.	CFO	2003-05-01	2016-08-25	Yes
Tu Liandong	Xiamen Anne Co., Ltd.	Independent director	2013-09-11		Yes
Tu Liandong	Xiamen 35.com Technology Co.,Ltd	Independent director	2014-03-07		Yes

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from other entity
Bai Shaoxiang	Fujian Torch Electron Technology Co., Ltd.	Independent director	2016-12-29		Yes
Bai Shaoxiang	Fujian TENET& PARTNERS Law Office	Partner, Executive Director	2009-01-01		Yes
Tang Jinmu	Xiamen Association of Certified Public Accountants	Secretary general	2002-09-01		Yes
Tang Jinmu	Xingye Technology Co., Ltd.	Independent director	2015-01-15		Yes
Remark	N/A				

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and executive officers as well as those who left in this reporting period

□ Applicable √ Inapplicable

IV. Remuneration of directors, supervisors and executive officers

Decision-making procedure, determination basis and actual remuneration payment of directors, supervisors and executive officers

According to the Company Law, the Securities Law and other laws and regulations, the remuneration of the directors and supervisors shall be decided by the Shareholders' General Meeting, while the remuneration of the senior management staffs shall be decided by the Board of Directors. And the remuneration of the directors, supervisors and senior management staffs is decided by referring the market level and according to the Company's human resource management system.

Remuneration of directors, supervisors and executive officers in this reporting period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Pan Zhirong	Chairman of the Board	Male	50	Incumbent	119.87	No
Zhuang Xing	Director	Male	62	Incumbent	3.60	No
Chen Yanjun	Director	Male	55	Incumbent	3.60	Yes
Tan Zichang	Managing Director	Male	47	Incumbent	64.31	No
Tu Liandong	Independent director	Male	49	Incumbent	15.00	No
Bai Shaoxiang	Independent director	Male	44	Incumbent	12.00	No
Tang Jinmu	Independent director	Male	50	Incumbent	12.00	No
Luo Qingxing	Supervisor	Male	62	Incumbent	42.84	No
Yang Yongquan	Supervisor	Male	52	Incumbent	2.40	Yes

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Yang Yusheng	Supervisor	Male	60	Former	15.26	No
Sun Meimei	Board Secretary	Female	43	Incumbent	15.30	No
Wu Yanru	Financial Chief	Male	43	Former	7.36	No
Feng Zhiqing	Financial Chief	Male	47	Incumbent	28.31	No
Zheng Caiyun	Supervisor	Female	41	Incumbent	18.10	No
Total	--	--	--	--	359.95	

Equity incentives for directors, supervisors and executive officers in this reporting period

□ Applicable √ Inapplicable

V. Employees

1. Number, functions and educational backgrounds of employees

Number of in-service employees of the Company	82
Number of in-service employees of main subsidiaries	4,266
Total number of in-service employees	4,348
Total number of employees with remuneration in this reporting period	4,514
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0

Educational background	Number of employees	Function	Number of employees
Doctor	1	Sales	183
Master	36	Financial	61
Bachelor	250	Technical	472
College graduates	335	Administrative	730
Below college	3,726	Production	2,902
Total	4,348	Total	4,348

2. Employee remuneration policy

The Company has established its remuneration system and formulated Remuneration Management Measures and Performance Appraisal Management Rules based position division according to the Labor Law, the internal HR Administrative Rules and relevant laws and regulations in line with the Company's strategic planning, the HR allocation on the market, the talent demand, job responsibilities and job qualifications. The staff's remuneration level has comprehensively taken the Company's operating conditions, profitability and internal fairness into consideration based on the position's value, job performance and personal ability.

3. Employee training plans

1. New Staff Training (On-site Staff/Cadre/Manager/Fresh Graduate Training Camp);
2. Management Cadre Cultivation and Building;
3. Job Qualification Promotion Training;
4. General Curriculum will be held to improve the staff's comprehensive quality;
5. 3T Internal Lecturer Training Team Building and Management.

4. Labor outsourcing

□ Applicable √ Inapplicable

Section IX. Corporate Governance

I. Basic details of corporate governance

During the reporting period, the Company standardize its operations strictly in accordance with requirements of relevant law and rules of Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Rules for Listing Shares at Shenzhen Stock Exchange and so on, and endlessly amplified and perfected administration structure and corporate system of the Company as well as established relatively accomplished corporate governance structure. According to relevant regulations of CSRC, the Company completed the establishment of Accountability System for Material Error in Annual Report Information Disclosure, and strictly in line with relevant regulations in the process of disclosing this annual report. Currently, the situation of corporate governance structure basically accorded with regulations stipulated in regulatory documents on governance of listed companies reported by CSRC. There were no governance problems remained unsolved. The governance of the Company is as follows:

1. Shareholders and Shareholders' General Meeting

The Company convened Shareholders' General Meeting in line with Articles of Association of the Company and Rules of Procedures for Shareholders' General Meeting, treated all shareholders with equity, guaranteed middle and small shareholders enjoy equal status and ensured all shareholders be able to exercise their rights.

2. Controlling shareholders and the Company

Controlling shareholders were strictly in accordance with requirements to exercise rights of promoters and assumed responsibilities. The Company realized independence between controlling shareholder and listed companies in business, assets, agencies and finance; and independent operation between the Board of Directors of the Company, the Supervisory Board and internal agency which ensured independence in accounting, assuming responsibility and bearing risks, so as to ensure legal rights and interests of investors.

3. Directors and the Board of Directors

The Company strictly in accordance with election procedure of directors in Articles of Association of the Company to elect directors that the number of directors and the structure of the Board of Directors were in line with requirements of laws and regulations. The Board of Directors earnestly executed Rules of Procedure for the Board of Directors so as to guaranteed efficient operation and scientific strategic decision. All directors of the Company performed their responsibilities honestly, sincerely and assiduously, presented the Board of Directors, the Shareholders' General Meeting seriously, and participated in relevant trains actively.

4. Supervisors and the Supervisory Board

The Supervisory Board of the Company strictly in line with relevant provisions of Company Law and the Articles of Association of the Company that the number of supervisors and the structure of the Supervisory Board were in accordance with requirements of laws and regulations. All supervisors exercised the Rules of Procedure for the Supervisory Board, earnestly performed their responsibilities. In light of the responsibility for shareholders, all supervisors conducted inspection and supervision to the legitimacy corporate finance of the Company and other significant decisions, legally performed responsibilities to directors of the Company and senior management and supervised the implement of resolutions of the Board of Directors and Shareholders' General Meeting.

5. Information disclosure and transparency

The Company strictly in accordance with requirements of relevant provisions and regulatory documents such as Rules for Listing Shares at Shenzhen Stock Exchange, Guidelines on Fair Information Disclosure of Listed Companies, performed responsibilities of information disclosure of the Company truthfully, accurately, timely and completely, and then guaranteed the equal opportunity of all shareholders of the Company to gain relevant information of the Company.

6. There isn't any problem on horizontal competition and related transactions that arising from partial restructures and other issues of the Company. In the reporting period, the Company continuing and strictly in accordance with Company Law, Securities Law, Basic Standards for Enterprise Internal Control, Supporting Guidelines for Corporate Internal Control as well as requirements of regulated documents of corporate governance for listed companies published by CSRC, endlessly accomplished corporate governance structure, actively enforced corporate governance work, and gradually perfected corporate governance and internal control system, intensified supervision of internal control, promoted operation efficiency, operation regulation and corporate governance level, endeavor to seek optimized profit and earnestly protected legal profit of minority shareholders.

Any significant incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

□ Yes √ No

No such cases in this reporting period.

II. Independence of businesses, personnel, asset, organizations and finance which are separate from the controlling shareholder

The Company is completely separated from its controlling shareholder in aspects such as business, personnel, assets, institutions and finance.

III. Horizontal competition

□ Applicable √ Inapplicable

IV. Annual and special meetings of shareholders convened during this reporting period

1. Meetings of shareholders convened during this reporting period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to the disclosed information
2015 Annual Meeting of Shareholders	Annual	0.05%	2016-05-20	2016-05-21	www.cninfo.com.cn

2. Special meetings of shareholders convened at the request of preference shareholders with resumed voting rights

□ Applicable √ Inapplicable

V. Performance of independent directors in this reporting period

1. Attendance of independent directors in board meetings and meetings of shareholders

Attendance of independent directors in board meetings						
Independent director	Due presence in this Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times
Tu Liandong	8	8	0	0	0	No
Bai Shaoxiang	8	7	0	1	0	No
Tang Jinmu	8	8	0	0	0	No
Attendance of independent directors in meetings of shareholders as non-voting delegates (times)	1					

2. Objections raised by independent directors on issues of the Company

Indicate by tick mark whether any independent directors raised any objections on issues of the Company.

□ Yes √ No

3. Other details about the performance of duties by independent directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

√ Yes □ No

Explanation on the advices of independent directors for the Company being adopted or not adopted

The independent director of the Company focused on the Company's operation and executed responsibilities independently and at the same issued independent fair advice on the related transaction, trust management, etc., which played a positive role of improving the Company's governance structure, promoting the scientificity and objectivity of the policy of the Board of Directors as well as protecting the Company's and the whole shareholders' interests. See details of the performance of independent directors on the Work Report on 2016 Independent Director disclosed on http://www.cninfo.com.cn.

VI. Performance of duties by specialized committees under the Board during this reporting period

The Board of Directors of the Company consists of three special committees, respectively is Strategy Committee, Audit Committee, Nomination, Remuneration and Appraisal Committee. Each special committee's responsibilities are clear, according to execution rules of duty issued by the Company's board of directors, the special committee perform his duty, study on professional events, put forward opinions and suggestions as a reference for the decision-making of the Board.

1. Performance of the Board of Directors' Strategy Committee

During the reporting period, four meetings were held，in which the motion on the transfer of shares of the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd, the motion on the capital increase of the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd to its grandchildren company Tsannkuen Edge Intelligence Co., Ltd, the motion on the capital increase of the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd to its grandchildren company SCI and the establishment of the subsidiary by SCI with the transferred investment, the motion on the modified investment plan of the capital increase of the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd to its grandchildren company SCI and the establishment of the subsidiary by SCI with the transferred investment, as well as the Annual Budget Report of the Company for Year 2017 were reviewed and approved. To discuss and analyze the above motions, and to bring forward opinions and suggestions play an important role in enhancing the company's core competitiveness, strengthen the scientific decision-making and improving decision-making efficiency and quality.

2. Performance of the Board of Directors' Audit Committee

During the reporting period, five meetings were held to hear the work report of the audit department, during which the company's annual audit plan for 2015, annual estimated daily related transactions for year 2016, and the motion on the asset management of the company-owned fund by the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd were carefully reviewed. The Audit Committee conducted a prior survey and obtained the information of the Company's derivative transactions, as in 2016 the controlling subsidiary Shanghai Tsann Kuen Enterprise Co., Ltd completed the acquisition of Tsannkuen Edge Intelligence Co., Ltd.

According to No. 20 of ASBE - Enterprise Merger, the Transaction formed the enterprise merger under the same control and the main body was regarded as always exist in the previous periods after the merger. The opening balances of year 2016 and the relevant financial statements for the same period last year were retrospectively adjusted.

The Audit Committee considers that the retrospective adjustment was an objective reflection on the operation of the Company and was in line with the relevant requirements of the Accounting Standards for Business Enterprises promulgated by the State and conformed to the requirements of the relevant provisions of the Shenzhen Stock Exchange. We agree with this retroactive adjustment.

In terms of the 2016 annual financial report auditing, the company's board of directors audit committee fully performed its supervisory responsibilities and maintained the independence of such audit based on such principle as diligence and conscientiousness:

(1) Before the CPA participated in the annual audit, the audit committee communicated with the accountant in charge of executing annual financial audit and internal control audit on November 10, 2016, and confirmed the schedule for the execution of 2016 auditing works; on January 4, 2017, all financial statements formulated by the company were carefully reviewed, and relevant review opinions were also issued in written form.

(2) During such annual audit, the audit committee fully communicated with the responsible CAP, and urged the execution of such annual audit as scheduled.

(3) After Ruihua CPA issued its opinions on primary audit, the audit committee reviewed the company's financial statements again, and issued written review comments on March 3, 2017.

(4) After Ruihua Certified Public Accountants issued annual auditing report, objective evaluated the auditing work in the Company this year.

(5) Since Ruihua Certified Public Accountants has been ordered by the regulator to stop taking in new securities business for the period from 6 January to 6 March 2017 and make rectifications within a given time limit, the Audit Committee would, based on the rectification results of the accounting firm and the regulator's decision to restore the accounting firm's right to take in new securities business or not, propose in due time to continue or stop having Ruihua Certified Public Accountants as the auditor for the Company and have the relevant review and approval procedure executed.

3. Particulars about Nomination, Remuneration and Appraisal Committee of the Board

During reporting period, there were two meetings held by the Nomination, Remuneration and Appraisal Committee of the Board, After the Nomination, Remuneration and Appraisal Committee reviewed the actual production and operating results, it reviewed remuneration of directors, supervisors and senior managers disclosed in 2016 annual report and formed a paper examination opinion: the Company's directors, supervisors and senior managers compensation was in line with Company general meeting of shareholders, the relevant resolutions of the board of directors and relevant compensation management system. The remuneration of directors, supervisors and senior managers disclosed in 2016 strictly implement the company compensation management system and performance appraisal method. The remuneration of directors, supervisors and senior managers disclosed in annual report was true, reasonable and complete.

VII. Performance of duties by the Supervisory Board

Did the Supervisory Board find any risks to the Company during its supervision in this reporting period?

□ Yes √ No

The Supervisory Board raised no objections in this reporting period.

VIII. Appraisal and incentive for executive officers

The Company regularly appraised the performance of Senior Management Staffs strictly in accordance with the relevant laws and regulations as well as existing performance appraisal system. The Board of Directors was divided into nomination, remuneration and appraise committee, of which conducted appraise and encouragement to senior management and relevant personnel. The Company also placed limitation to resumption behavior, authority and responsibility of senior management in line with Articles of Association and internal control system.

IX. Internal control

1. Serious internal control defects found in this reporting period

□ Yes √ No

2. Internal control self-evaluation report

Disclosure date of the internal control self-evaluation report		2017-03-14
Index to the disclosed internal control self-evaluation report		www.cninfo.com.cn
Total assets of the evaluated entities as a percentage in the consolidated total assets		100.00%
Operating revenues of the evaluated entities as a percentage in the consolidated operating revenues		100.00%
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	Serious defect: Refer to one or several controlling defects groups in the enterprise which lead to the enterprise's serious deviation from controlling target. Important defect: Refer to one or several controlling defects groups, its severity and economic results lower than great defect which may lead to the enterprise's deviation from controlling target.	Serious defect: Safety-a number of employee fatalities Company reputation- negative news spread around, the government or regulators investigated which lead to public attention, and cause huge loss of customers, or need be report. Important defect: Safety-lead to a employ or citizen disability or fatality Company reputation- negative news spread around the state, had complained the media or lead to the contract will be cancelled by the customers.
Quantitative standard	Serious defect: >5% of total profits of consolidated statements in recent period >1% of total assets of consolidated statements in recent period >2% of total operation revenue of consolidated statements in recent period A serious violation of laws, regulations and rules and the government's policy, was restricted enter industry, suspended business licenses, forced to shut down. Important defect: Within 3%~5% of total profits of consolidated statements in recent period Within 0.5%~1% of total assets of consolidated statements in recent period Within1%~2% of total operation revenue of consolidated statements in recent period A serious violation of laws, regulations and rules and the government's policy, lead to investigation by the local governments or regulators, was ordered to stop business operations for rectification	Serious defect::RMB5 million (including RMB5 million) or above. Important defect: Within RMB1 million (including RMB1 million) to RMB5 million (including RMB5 million)
Number of serious financial-report-related defects	0	

Number of serious non-financial-report-related defects	0
Number of important financial-report-related defects	0
Number of important non-financial-report-related defects	0

X. Auditor's report on internal control

√ Applicable □ Inapplicable

Opinion paragraph in the auditor's report on internal control	
TSANN KUEN (CHINA) ENTERPRISE CO., LTD. has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 Dec. 2016.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	2017-03-14
Index to the disclosed auditor's report on internal control	http://www.cninfo.com.cn/
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	None

Indicate by tick mark whether any modified opinions are expressed by the CPAs firm in its auditor's report on the Company's internal control.

□ Yes √ No

Indicate by tick mark whether the auditor's report on the Company's internal control issued by the CPAs firm is consistent with the self-evaluation report of the Board.

√ Yes □ No

Section X. Corporate Bonds

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

No

Section XI. Financial Report

I. Auditor's Report

Type of audit opinions	Standard unqualified opinions
Signing date of audit report	2017-03-12
Name of audit institution	Ruihua Certified Public Accountants (LLP)
No. of audit report	RHSZ No. [2017] 48390002
Name of CPA	Yang Ganlin, Chen Lianwu

II. Financial statements (attached)

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

Section XII. Documents Available for Reference

1. This Annual Report carrying the signature and seal of the Board Chairman;

2. The financial statements signed and sealed by the legal representative, the accounting head for this Report and the accounting head of the Company; and

3. The originals of all the Company's documents and announcements which were disclosed on Securities Times, Hong Kong Ta Kung Pao and http://www.cninfo.com.cn/ in the reporting period) designated by the CSRC.

Board Chairman: Pan Zhirong

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

12 March 2017

瑞华会计师事务所
RUIHUA CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Ruihua Shen Zi 【2017】48390002 Hao

To The Board of Directors of TsannKuen (China) Enterprise Co., Ltd.:

We have audited the accompanying financial statements of TsannKuen (China) Enterprise Co., Ltd., (hereafter, the Company), which comprise the Consolidated and Separate Statements of Financial Position as at 31 December 2016, the Consolidated and Separate Statements of Comprehensive Income, the Consolidated and Separate Statements of Cash Flows and the Consolidated and Separate Statements of Changes in Shareholders' Equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

I. Management’s Responsibility for the Financial Statements

The Company’s management is responsible for the preparation and fair presentation of financial statements. This responsibility includes: (1) preparation of financial statements in accordance with Enterprise Accounting Standards for the purpose of fair presentation; (2) designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the Certified Public Accountant considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit Opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards of China and presented fairly, in all material respects, the consolidated and separate financial position of TsannKuen (China) Enterprise Co., Ltd. as at 31 December 2016, and the consolidated and separate results of its operations and its cash flows for the year then ended.

Ruihua Certified Public Accountants Certified Public Accountants：GanLin Yang

Beijing. China Certified Public Accountants：LianWu Chen

12 March 2017

Consolidated Statement of Financial Position
2016-12-31

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

Item	Note	2016.12.31	2015.12.31
Current assets:			
Monetary funds	6.1	749,497,115.33	756,224,861.29
Financial assets measured by fair value with changes in fair value recognised in profit or loss			
Notes receivable	6.2	1,341,076.70	1,483,710.00
Accounts receivable	6.3	273,086,616.38	219,610,407.48
Advances to suppliers	6.4	6,964,904.97	16,907,010.01
Interests receivable	6.5	5,519.56	1,135,305.55
Dividends receivable			
Other receivables	6.6	40,381,756.08	49,614,060.91
Inventories	6.7	223,569,121.90	264,378,374.84
Current assets held-for-sale			
Non-current assets due within one year			
Other current assets	6.8	139,354,484.01	90,028,063.94
Total current assets		**1,434,200,594.93**	**1,399,381,794.02**
Non-current assets:			
Available-for-sale financial assets	6.9	40,000.00	40,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment property	6.10	42,158,120.51	46,185,216.68
Fixed assets	6.11	174,529,010.36	177,056,961.83
Construction in progress	6.12	269,633.08	210,916.60
Materials held for construction			
Fixed assets disposals			
Biological assets held for production			
Oil and gas assets			
Intangible assets	6.13	23,840,277.12	14,540,679.18
Development expenditure			
Goodwill			
Long-term deferred charge	6.14	4,142,242.19	3,483,463.55
Deferred tax assets	6.15	17,104,853.57	14,982,417.17
Other non-current assets	6.16	1,248,273.23	6,264,771.15
Total non-current assets		**263,332,410.06**	**262,764,426.16**
Total assets		**1,697,533,004.99**	**1,662,146,220.18**

Consolidated Statement of Financial Position (Continued)

2016-12-31

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

Item	Note	2016.12.31	2015.12.31
Current liabilitie			
Short-term borrowings			
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss	6.17		8,462,500.00
Derivative financial liabilities			
Notes payable	6.18	23,251,704.93	26,974,641.74
Trade payables	6.19	589,418,458.93	575,935,607.01
Advances from customers	6.20	11,187,023.96	15,828,556.71
Employment benefits payable	6.21	45,671,498.70	42,883,047.84
Taxes and fees payable	6.22	16,965,068.11	6,161,261.40
Interests payable			
Dividends payable			
Other payables	6.23	58,411,663.19	65,095,375.44
Current liabilities held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		**744,905,417.82**	**741,340,990.14**
Non-current liabilities:			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Sustainable debts			
Long-term payables			
Long-term employment benefits payable	6.24	187,928.74	65,990.52
Designated payables			
Accrued liabilities			
Deferred income			
Deferred tax liabilities	6.15	761,461.43	242,705.68
Other non-current liabilities			
Total non-current liabilities		**949,390.17**	**308,696.20**
Total liabilities		**745,854,807.99**	**741,649,686.34**
Shareholders' equity			
Share capital	6.25	185,391,680.00	185,391,680.00
Other equity instruments			
Including: Preferred shares			
Sustainable debts			
Capital reserves	6.26	296,808,965.79	282,916,698.67
Less: Treasury stock			
Other comprehensive income	6.27	8,491,902.45	3,247,335.35
Designated reserves			
Surplus reserves	6.28	29,946,218.17	20,962,521.51
Provision for general risks			
Retained earnings	6.29	90,217,504.90	69,510,872.20
Equity attributable to shareholders of the parent		610,856,271.31	562,029,107.73
Minority interests		340,821,925.69	358,467,426.11
Total shareholders' equity		**951,678,197.00**	**920,496,533.84**
Total liabilities and shareholders equity		**1,697,533,004.99**	**1,662,146,220.18**

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2016

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

Item	Note	2016	2015
Total operating income		**1,813,281,222.42**	**1,968,748,594.29**
Including: Operating income	6.30	1,813,281,222.42	1,968,748,594.29
Total operating costs		**1,757,154,034.40**	**1,933,650,797.64**
Including: Operating costs	6.30	1,495,101,137.26	1,672,624,840.21
Sales tax and surcharges	6.31	11,297,603.16	6,915,701.14
Sales expenses	6.32	86,990,340.73	88,906,244.68
General and administrative expenses	6.33	157,298,660.12	184,799,329.54
Financial costs	6.34	-31,511,102.68	-35,505,671.63
Loss on asset impairment	6.35	37,977,395.81	15,910,353.70
Add: Gain on fair value changes (loss presented by "-" prefix)	6.36	8,462,500.00	-7,116,240.15
Investment income (loss presented by "-" prefix)	6.37	2,695,530.06	16,587,981.27
Including: investment income from associates and joint ventures		8,474.00	
Operating profit (loss presented by "-" prefix)		**67,285,218.08**	**44,569,537.77**
Add: Non-operating income	6.38	10,316,211.87	8,178,467.43
Including: Gain on non-current assets dispoal		933,505.34	1,558,791.03
Less: Non-operating expenses	6.39	916,707.28	72,442.69
Including: Loss on non-current assets dispoal		686,335.66	60,319.08
Profit before tax		**76,684,722.67**	**52,675,562.51**
Less: Income tax expenses	6.40	13,734,134.32	8,177,532.16
Net profit		**62,950,588.35**	**44,498,030.35**
Net profit attributable to shareholders of the parent		48,229,497.36	34,658,898.51
Net profit attributable to minority interests		14,721,090.99	9,839,131.84
After-tax other comprehensive income	6.41	**6,992,756.11**	**5,528,954.07**
After-tax other comprehensive income attributable to shareholders of the parent		5,244,567.10	4,146,715.55
A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods		**15,614.61**	
1. Remeasurement of net assets or net liabilities of defined benefit plans		**15,614.61**	
2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss			
B. Other comprehensive income reclassifiable to profit or loss in subsequent periods		**5,228,952.49**	**4,146,715.55**
1. Share of other comprehensive income of investees measured by the equity method reclassifiable to profit or loss			
2. Gain or loss on changes in fair value of available-for-sale financial assets			
3. Gain or loss on reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective elements of gain or loss of cash flow hedges			
5. Exchange difference on translation of foreign financial statements		5,228,952.49	4,146,715.55
6. Others			
After-tax other comprehensive income attributable to minority interests		1,748,189.01	1,382,238.52
Total comprehensive income		**69,943,344.46**	**50,026,984.42**
Total comprehensive income attributable to shareholders of the parent		53,474,064.46	38,805,614.06
Total comprehensive income attributable to minority interests		16,469,280.00	11,221,370.36
Earning per share			
A. Basic earning per share		0.26	0.19
B. Diluted earning per share		0.26	0.19

In the first three months of 2016, the net profit realized by the merged parties before the merger was: CNY -2,204,397.97.

The net profit realized by the merged parties in the business combination under the same control is included in the above table "net profit".

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Consolidated Statement of Cash Flows

For the Year ended 31 December 2016

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

Item	Note	2016	2015
Cash flows from operating activities			
Cash receipts from sales of goods and rendering of services		1,738,424,371.80	1,980,645,870.97
Tax repayments received		198,707,074.60	207,406,950.67
Other cash receipts relating to operating activities	6.42.1	65,077,090.78	67,491,803.81
Cash inflows from operating activities		**2,002,208,537.18**	**2,255,544,625.45**
Cash payments for purchase of goods and services		1,463,159,437.29	1,709,352,159.67
Cash paid to and on behalf of employees		250,235,425.92	290,279,821.57
Taxes and fees paid		16,523,962.75	18,804,202.58
Other cash payments relating to operating activities	6.42.2	164,121,791.16	156,275,717.07
Cash outflows for operating activitie		**1,894,040,617.12**	**2,174,711,900.89**
Net cash flows generated from operating activities		**108,167,920.06**	**80,832,724.56**
Cash flows from investing activities			
Cash receipts from investment withdrawal		230,000,000.00	332,688,599.99
Cash receipts from investment income		15,255,832.06	27,428,962.23
Net cash receipts from disposal of fixed assets, intangible assets and other non-current assets		8,491,018.25	3,468,191.79
Net cash receipts from disposal of subsidiaries and other operating entities			
Other cash receipts relating to investing activities	6.42.3	405,296,840.00	1,143,601,932.63
Cash inflows from investing activities		**659,043,690.31**	**1,507,187,686.64**
Cash payments for purchase and construction of fixed assets, intangible assets and other non-current assets		63,054,331.93	79,246,164.09
Cash paid for invesetments		288,110,958.62	410,194,808.00
Cash paid for acquisition of subsidiaries and other operating entities			
Other cash payments relating to investing activities	6.42.4	336,198,225.80	807,502,932.63
Cash outflows for investing activities		**687,363,516.35**	**1,296,943,904.72**
Net cash flows generated from investing activities		**-28,319,826.04**	**210,243,781.92**
Cash flows from financing activities			
Cash receipts from shareholders' contribution			5,904,167.30
Including: Cash receipts from contribution by minority shareholders of subsidiaries			
Cash receipts from borrowings		115,108,791.37	583,727,183.61
Cash receipts from debt instruments			
Other cash receipts relating to financing activities	6.42.5	4,951,200.00	
Cash inflows from financing activities		**120,059,991.37**	**589,631,350.91**
Cash payments for debt settlement		119,958,691.37	660,108,752.61
Cash payments for dividends, profit distribution and interests		32,959,165.20	40,794,171.70
Including: Cash payments of dividends and profit distribution to minority shareholders		13,824,332.69	9,439,680.90
Other cash payments relating to financing activities	6.42.6	4,951,200.00	
Cash outflows for financing activities		**157,869,056.57**	**700,902,924.31**
Net cash flows generated from financing activities		**-37,809,065.20**	**-111,271,573.40**
Impact of changes in foreign exchange rates on cash and cash equivalents		20,331,839.42	26,054,480.20
Net increase of cash and cash equivalents		62,370,868.24	205,859,413.28
Add: Cash and cash equivalents brought forward		675,824,861.29	469,965,448.01
Cash and cash equivalents carried forward		**738,195,729.53**	**675,824,861.29**

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2016

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

Item	2016												
	Equity attributable to shareholders of the parent											Minority interests	Total
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings		
		Preferred shares	Sustainable debts	Others									
Balance brought forward	185,391,680.00				282,916,698.67		3,247,335.35		20,962,521.51		69,510,872.20	358,467,426.11	920,496,533.84
Add: Changes of accounting policies													
Correction of prior period errors													
Business combination under common control													
Others													
Balance as at 1January	185,391,680.00				282,916,698.67		3,247,335.35		20,962,521.51		69,510,872.20	358,467,426.11	920,496,533.84
Changes for the period (decrease presented by "-" prefix)					13,892,267.12		5,244,567.10		8,983,696.66		20,706,632.70	-17,645,500.42	31,181,663.16
1. Total comprehensive income							5,244,567.10				48,229,497.36	16,469,280.00	69,943,344.46
2. Changes in shareholders' contribution					13,892,267.12							-20,290,447.73	-6,398,180.61
a. Capital contributed													
b. Contribution by holders of other equity instruments													
c. Share-based payments directly recognised in equity													
d. Others					13,892,267.12							-20,290,447.73	-6,398,180.61
3. Profit distribution									8,983,696.66		-27,522,864.66	-13,824,332.69	-32,363,500.69
a. Recognition of surplus reserves									8,983,696.66		-8,983,696.66		
b. Recognition of provision for general risks													
c. Distribution to shareholders											-18,539,168.00	-13,824,332.69	-32,363,500.69
d. Others													
4. Movements within equity													
a. Share premium transferred to share capital													
b. Surplus reserves transferred to share capital													
c. Loss set-off by surplus reserves													
d. Others													
5. Designated reserves													
a. Recognition during the current period													
b. Withdrawal during the current period													
6. Others													
Balance carried forward	185,391,680.00				296,808,965.79		8,491,902.45		29,946,218.17		90,217,504.90	340,821,925.69	951,678,197.00

Consolidated Statement of Changes in Equity (Continued)

For the Year ended 31 December 2016

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

Item	2015												
	Equity attributable to shareholders of the parent											Minority interests	Total
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings		
		Preferred shares	Sustainable debts	Others									
Balance brought forward	185,391,680.00				278,458,862.55		-899,380.20		16,400,043.27		67,223,203.93	355,434,123.03	902,008,532.58
Add: Changes of accounting policies													
Correction of prior period errors													
Business combination under common control													
Others													
Balance as at 1January	185,391,680.00				278,458,862.55		-899,380.20		16,400,043.27		67,223,203.93	355,434,123.03	902,008,532.58
Changes for the period (decrease presented by "-" prefix)					4,457,836.12		4,146,715.55		4,562,478.24		2,287,668.27	3,033,303.08	18,488,001.26
1. Total comprehensive income							4,146,715.55				34,658,898.51	11,221,370.36	50,026,984.42
2. Changes in shareholders' contribution					4,457,836.12							1,251,613.62	5,709,449.74
a. Capital contributed													
b. Contribution by holders of other equity instruments													
c. Share-based payments directly recognised in equity													
d. Others					4,457,836.12							1,251,613.62	5,709,449.74
3. Profit distribution									4,562,478.24		-32,371,230.24	-9,439,680.90	-37,248,432.90
a. Recognition of surplus reserves									4,562,478.24		-4,562,478.24		
b. Recognition of provision for general risks													
c. Distribution to shareholders											-27,808,752.00	-9,439,680.90	-37,248,432.90
d. Others													
4. Movements within equity													
a. Share premium transferred to share capital													
b. Surplus reserves transferred to share capital													
c. Loss set-off by surplus reserves													
d. Others													
5. Designated reserves													
a. Recognition during the current period													
b. Withdrawal during the current period													
6. Others													
Balance carried forward	185,391,680.00				282,916,698.67		3,247,335.35		20,962,521.51		69,510,872.20	358,467,426.11	920,496,533.84

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Statement of Financial Position
2016-12-31

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

Item	Note	2016.12.31	2015.12.31
Current assets:			
Monetary funds		6,668,219.24	7,750,025.58
Financial assets measured by fair value with changes in fair value recognised in profit or loss			
Notes receivable		1,341,076.70	589,835.00
Accounts receivable	13.1	30,084,632.38	23,997,156.18
Advances to suppliers		224,212.39	1,202,214.48
Interests receivable			
Dividends receivable			
Other receivables	13.2	539,684.23	3,010,844.58
Inventories		13,862,241.50	11,151,650.93
Current assets held-for-sale			
Non-current assets due within one year			
Other current assets		404,776.38	55,278.38
Total current assets		**53,124,842.82**	**47,757,005.13**
Non-current assets:			
Available-for-sale financial assets		40,000.00	40,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	13.3	922,914,701.56	985,814,030.83
Investment property		35,720,961.41	38,994,677.59
Fixed assets		1,985,546.98	2,328,116.94
Construction in progress			
Materials held for construction			
Fixed assets disposals			
Biological assets held for production			
Oil and gas assets			
Intangible assets		83,249.99	110,249.99
Development expenditure			
Goodwill			
Long-term deferred charge		69,866.41	405,866.33
Deferred tax assets		1,910,906.98	18,053,868.00
Other non-current assets			
Total non-current assets		**962,725,233.33**	**1,045,746,809.68**
Total assets		**1,015,850,076.15**	**1,093,503,814.81**

Statement of Financial Position (Continued)
2016-12-31

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

Item	Note	2016.12.31	2015.12.31
Current liabilitie			
Short-term borrowings			
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss			
Notes payable			
Trade payables		83,598,309.18	66,922,540.32
Advances from customers		930,623.95	2,664,965.52
Employment benefits payable		2,912,637.07	3,390,321.73
Taxes and fees payable		647,392.73	966,665.47
Interests payable			
Dividends payable			
Other payables		298,567,356.74	461,663,363.89
Current liabilities held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		**386,656,319.67**	**535,607,856.93**
Non-current liabilities:			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Sustainable debts			
Long-term payables			
Long-term employment benefits payable			
Designated payables			
Accrued liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		**386,656,319.67**	**535,607,856.93**
Shareholders' equity			
Share capital		185,391,680.00	185,391,680.00
Other equity instruments			
Including: Preferred shares			
Sustainable debts			
Capital reserves		271,490,289.82	271,490,289.82
Less: Treasury stock			
Other comprehensive income			
Designated reserves			
Surplus reserves		29,946,218.17	20,962,521.51
Provision for general risks			
Retained earnings		142,365,568.49	80,051,466.55
Total shareholders' equity		**629,193,756.48**	**557,895,957.88**
Total liabilities and shareholders equity		**1,015,850,076.15**	**1,093,503,814.81**

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Statement of Comprehensive Income
For the Year ended 31 December 2016

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

Item	Note	2016	2015
Operating income	13.4	**120,778,470.69**	**127,854,853.84**
Less: Operating costs	13.4	95,650,186.24	101,418,125.97
Sales tax and surcharges		2,531,060.56	1,126,375.48
Sales expenses		10,945,149.43	7,530,282.19
General and administrative expenses		11,084,090.69	16,130,465.48
Financial costs		-37,781.30	440,380.20
Loss on asset impairment		2,481,181.67	-17,344.39
Add: Gain on fair value changes (loss presented by "-" prefix)			
Investment income (loss presented by "-" prefix)	13.5	107,582,142.80	28,286,287.22
Including: investment income from associates and joint ventures			
Operating profit (loss presented by "-" prefix)		**105,706,726.20**	**29,512,856.13**
Add: Non-operating income		312,051.54	235,566.57
Including: Gain on non-current assets dispoal			23,533.98
Less: Non-operating expenses			12,952.66
Including: Loss on non-current assets dispoal			12,952.66
Profit before tax		**106,018,777.74**	**29,735,470.04**
Less: Income tax expenses		16,181,811.14	-15,889,312.35
Net profit		**89,836,966.60**	**45,624,782.39**
After-tax other comprehensive income			
A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods			
1. Remeasurement of net assets or net liabilities of defined benefit plans			
2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss			
B. Other comprehensive income reclassifiable to profit or loss in subsequent periods			
1. Share of other comprehensive income of investees measured by the equity method reclassifiable to profit or loss			
2. Gain or loss on changes in fair value of available-for-sale financial assets			
3. Gain or loss on reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective elements of gain or loss of cash flow hedges			
5. Exchange difference on translation of foreign financial statements			
6. Others			
Total comprehensive income		**89,836,966.60**	**45,624,782.39**

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Statement of Cash Flows
For the Year ended 31 December 2016

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

Item	Note	2016	2015
Cash flows from operating activities			
Cash receipts from sales of goods and rendering of services		116,427,555.42	134,971,219.25
Tax repayments received			
Other cash receipts relating to operating activities		12,965,773.16	15,562,340.79
Cash inflows from operating activities		**129,393,328.58**	**150,533,560.04**
Cash payments for purchase of goods and services		96,977,895.45	103,592,297.07
Cash paid to and on behalf of employees		11,744,622.68	12,167,506.08
Taxes and fees paid		2,863,340.79	4,282,778.59
Other cash payments relating to operating activities		170,807,997.03	23,744,427.95
Cash outflows for operating activitie		**282,393,855.95**	**143,787,009.69**
Net cash flows generated from operating activities		**-153,000,527.37**	**6,746,550.35**
Cash flows from investing activities			
Cash receipts from investment withdrawal		130,000,000.00	
Cash receipts from investment income		41,481,472.07	28,286,287.22
Net cash receipts from disposal of fixed assets, intangible assets and other non-current assets			
Other cash receipts relating to investing activities			
Cash inflows from investing activities		**171,481,472.07**	**28,286,287.22**
Cash payments for purchase and construction of fixed assets, intangible assets and other non-current assets		49,298.16	2,721,295.15
Cash paid for invesetments		1,000,000.00	
Other cash payments relating to investing activities			
Cash outflows for investing activities		**1,049,298.16**	**2,721,295.15**
Net cash flows generated from investing activities		**170,432,173.91**	**25,564,992.07**
Cash flows from financing activities			
Cash receipts from shareholders' contribution			
Cash receipts from borrowings			
Cash receipts from debt instruments			
Other cash receipts relating to financing activities			
Cash inflows from financing activities			
Cash payments for debt settlement			
Cash payments for dividends, profit distribution and interests		18,539,168.00	27,808,752.00
Other cash payments relating to financing activities			
Cash outflows for financing activities		**18,539,168.00**	**27,808,752.00**
Net cash flows generated from financing activities		**-18,539,168.00**	**-27,808,752.00**
Impact of changes in foreign exchange rates on cash and cash equivalents		25,715.12	10,964.51
Net increase of cash and cash equivalents		-1,081,806.34	4,513,754.93
Add: Cash and cash equivalents brought forward		7,750,025.58	3,236,270.65
Cash and cash equivalents carried forward		**6,668,219.24**	**7,750,025.58**

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

Statement of Changes in Equity
For the Year ended 31 December 2016

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

CNY

Item	2016											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Total
		Preferred shares	Sustainable debts	Others								
Balance brought forward	185,391,680.00				271,490,289.82				20,962,521.51		80,051,466.55	557,895,957.88
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
Balance as at 1January	185,391,680.00				271,490,289.82				20,962,521.51		80,051,466.55	557,895,957.88
Changes for the period (decrease presented by "-" prefix)									8,983,696.66		62,314,101.94	71,297,798.60
1. Total comprehensive income											89,836,966.60	89,836,966.60
2. Changes in shareholders' contribution												
a. Capital contributed												
b. Contribution by holders of other equity instruments												
c. Share-based payments directly recognised in equity												
d. Others												
3. Profit distribution									8,983,696.66		-27,522,864.66	-18,539,168.00
a. Recognition of surplus reserves									8,983,696.66		-8,983,696.66	
b. Recognition of provision for general risks												
c. Distribution to shareholders											-18,539,168.00	-18,539,168.00
d. Others												
4. Movements within equity												
a. Share premium transferred to share capital												
b. Surplus reserves transferred to share capital												
c. Loss set-off by surplus reserves												
d. Others												
5. Designated reserves												
a. Recognition during the current period												
b. Withdrawal during the current period												
6. Others												
Balance carried forward	185,391,680.00				271,490,289.82				29,946,218.17		142,365,568.49	629,193,756.48

Statement of Changes in Equity (Continued)
For the Year ended 31 December 2016

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

Item	2015											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Total
		Preferred shares	Sustainable debts	Others								
Balance brought forward	185,391,680.00				271,489,596.88				16,400,043.27		66,797,914.40	540,079,234.55
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
Balance as at 1January	185,391,680.00				271,489,596.88				16,400,043.27		66,797,914.40	540,079,234.55
Changes for the period (decrease presented by "-" prefix)					692.94				4,562,478.24		13,253,552.15	17,816,723.33
1. Total comprehensive income											45,624,782.39	45,624,782.39
2. Changes in shareholders' contribution												
a. Capital contributed												
b. Contribution by holders of other equity instruments												
c. Share-based payments directly recognised in equity												
d. Others												
3. Profit distribution									4,562,478.24		-32,371,230.24	-27,808,752.00
a. Recognition of surplus reserves									4,562,478.24		-4,562,478.24	
b. Recognition of provision for general risks												
c. Distribution to shareholders											-27,808,752.00	-27,808,752.00
d. Others												
4. Movements within equity												
a. Share premium transferred to share capital												
b. Surplus reserves transferred to share capital												
c. Loss set-off by surplus reserves												
d. Others												
5. Designated reserves												
a. Recognition during the current period												
b. Withdrawal during the current period												
6. Others					692.94							692.94
Balance carried forward	185,391,680.00				271,490,289.82				20,962,521.51		80,051,466.55	557,895,957.88

Legal Representative: **Person in Charge of Accounting Work:** **Person in Charge of Financial Department:**

TsannKuen (China) Enterprise Co., Ltd.
Notes to the Financial Statements

For the Year Ended 31 December 2016

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

Note 1: Company Profile

TsannKuen (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 HongkongFillman 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 December 28th 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 31 December 2016, the Company's share capital is CNY 185,391,680.

Follow The Ministry of Commerce of the People's Republic of China approved （The No. [2005]3107 "Agreed in Principle to the Ministry of Commerce on 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 concerningtheApproval of non-listed Foreign Shares Traded" from China Securities Regulatory Commission. The China Securities Regulatory Commission agreed 700,476,830 unlisted shares (account for 62.97% of the share capital) hold by the Company's shareholders, EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited to transfer into B shares. On 29 November 2007 these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to 31 December 2016, total B shares hold by the three legal shareholders (EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited) are 82,830,966 shares after the implementation of share reducing model. (Account for 44.68% of the share capital).

Legal representative: Pan, Zhirong

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

The parent: Star Comgistic Capital Co. Ltd.

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

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

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

The financial statements approved by the resolution of the Board of Directors on 12March2017, in accordance with the Articles of Association, the financial statements will be submitted to the shareholders meeting for consideration Conference.

The 2016 annual consolidated scope of company are10 subsidiaries, please see Note 8 “The equity in other main entities”. The consolidated scope of this annual increase three subsidiaries than previous year, please see Note 7 “Changes of scope of consolidation financial statements”.

Note 2: Basis for preparation of the financial statements

The financial statements of company have been prepared on basis of going concern in conformity with Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People’s Republic of China (Ministry of Finance issued order No.33, the Ministry of Finance revised order No.76) on15 February 2006, and revised Accounting Standards (order 41 of the Ministry of Finance) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

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

Note 3: Statement of Compliance with Enterprise Accounting Standards

The financial statements of the company are recognized and measured in accordance with the regulations in the Chinese Accounting Standards for Business Enterprises and they give a true and fair view of the financial position, business result and cash flow of the Company as of 31 December 2016. In addition, the financial statements of the company comply, in all material respects, with the revised disclosing requirements for financial statements and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission (CSRC) in 2014.

Note 4: Important Accounting Principles and Accounting Estimates

The Company and subsidiaries are principally engaged in the production and operation. The Company andsubsidiaries in accordance with the actual production and management features, according to the relevant provisions of Accounting Standards, to make a number of specific accounting policies and accounting estimates for other transactions and events of revenue recognition, see Note 4.22 “Revenue” for the description. For description of significant accounting judgments and estimates made by management, see Note 4.26 “Significant accounting judgments and estimates”.

4.1 Accounting period

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

4.2 Operating cycle

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

4.3 Monetary Unit

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

4.4 Business combination

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

4.4.1 Business combination involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

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

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

4.4.2 Business combination involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

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

The transaction cost arose from issuing of equity securities or liability securities shall be initially recognized as equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted.

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

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

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

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article55 of "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" on the "package deal" criterion (see Note 4.5.2), to judge the multiple exchange transactions whether they are the"package deal". If it belong to the "package deal" in reference to the preceding paragraphs of this section and the Notes described in 4.12 "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

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

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

4.5 Preparation of the consolidated financial statements

4.5.1 The scope of consolidation

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

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

4.5.2 Preparation of the consolidated financial statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the

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

Minority interest and the portion in the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders'/ owners' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders'/equity of the subsidiary, the excess is allocated against the minority interests.

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (ie, in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 4.12 Long-term equity investments and Note 4.9 Financial instruments for details.

The company get through multiple transactions step deal with disposal of the subsidiary's equity investment until the loss of control, need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal:①these transactions are considered simultaneously, or in the case of mutual influence made, ②these transactions as a whole in order to achieve a complete business results; ③the occurrence of a transaction depends on occurs at least one other transaction; ④a transaction look alone is not economical, but when considered together with other transaction is economical.

If they does not belong to the package deal, each of them separately, as the case of a transaction in accordance with "without losing control over the disposal of a subsidiary part of a long-term equity investments"(see Note 4.12.2, 4)) and "due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original" (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary 's investment corresponding to the difference between the disposal, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

4.6 Joint arrangement

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

The Company accounts for joint ventures using the equity method, see Note 4.12.2.2 for details.

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

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

4.7 Cash equivalent

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

4.8 Foreign exchange

4.8.1 Translation in foreign exchange transactions

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

4.8.2 Translation of monetary foreign currency and non-monetary foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net oversea operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③available-for-trade is recorded into profit or loss except for amortized cost.

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

4.8.3 The translation of financial statement in foreign currency

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

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

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

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

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

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

4.9 Financial instruments

4.9.1 Determination of financial assets and liabilities' fair value

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

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

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

4.9.2 Classification, recognition and measurement of financial assets

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

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

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

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

A. the financial asset is acquired for the purpose of selling it in a short term;

B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

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

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

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

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

2) Investment held-to maturity

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

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

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

3) Loans and receivables

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

4) Financial assets available-for-trade

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

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

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

4.9.3 Impairment of financial assets

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

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

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

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

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

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

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

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

4.9.4 Recognition and measurement of financial assets transfer

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

1) the rights to receive cash flows from the asset have expired;

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

3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred norretained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

4.9.5 Classification and measurement of financial liabilities

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

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

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

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

2) Other financial liabilities

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

4.9.6 Derecognition of financial liabilities

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

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

4.9.7 Derivatives and embedded derivatives

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

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

4.9.8 Offsetting financial assets and financial liabilities

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

4.9.9 Equity instruments

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

4.10Receivables

The receivables by the Company include account receivables, and other receivables.

4.10.1 Criteria for recognition of bad debts:

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

1) A serious financial difficulty occurs to the issuer or debtor;

2) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

3) The debtor will probably become bankrupt or carry out other financial reorganizations;

4) Other objective evidences showing the impairment of the receivables.

4.10.2 Method for bad debts provision

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

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

For an account receivable that is individually significant, the asset is individually assessed for impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly.

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

A. Evidence of credit risk characteristics

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

Evidence of portfolios：

Item	Basis
Age portfolios	Age
Related party portfolios	The companies which are in the scope of the consolidation.

B. Provision by credit risk characteristics

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

Provision for different portfolios:

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

a.Portfolio by age analysis

Category	% for accounts receivable	% for other receivable
1 to 90 days	0.00	0.00
91 to 180 days	10.00	10.00
181 to 270 days	30.00	30.00
271 to 365 days	50.00	50.00
Over 365 days	100.00	100.00

b.Adopt other methods for recognition of impairment allowances:

Group name	% for accounts receivable	% for other receivable
Related party group	0.00	0.00

3) Provisions of bad debts that is individually insignificant.

For the account receivables not individually significant, the Company assesses the account receivables individually for impairment when are of following characteristics: if there is objective evidence indicating the impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly. For examples: receivables of individual insignificance bears differing credit risk characteristics to other receivables of individual insignificance account receivables with related parties; account receivables under litigations or arbitrations, or account receivables with obvious indication that debtor cannot fulfill the obligation of repayment.

4.10.3 The reversal of bad debts provision

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

4.11 Inventories

4.11.1 Classification of inventory

Inventories include finished goods and merchandises held for sale, work-in-progress and materials and supplies to be consumed in the course of production of goods or rendering of services. Inventories are classified into materials in transit, raw materials, work-in-progress, finished goods, materials and goods of consignment and revolving materials etc.

4.11.2 Valuation method of inventories

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

4.11.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

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

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

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

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

4.11.4 The perpetual inventory system is maintained for stock system.

4.11.5 Amortization method for low cost and short-lived consumable items and packaging materials.

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

4.12 Long-term equity investments

Long-term equity investments referred to in this section refer to the Company invested entity has control, joint control or significant influence over the long-term equity investments. The Company invested does not have control, joint control or significant influence over the long-term equity investments as financial assets available for sale or at fair value and the changes included financial assets through profit or loss, which refer to the accounting policies in Note 4.9 “financial instruments”.

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

4.12.1 Determination of Investment cost

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

The cost of a long-term equity investment acquired through business combination not under common control is the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued. Where a business combination not under common control is achieved by multiple acquisition of the acquiree's shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquistions shall be viewed as one single transaction. If the multiple acquistions shall be viewed as one single transaction, the multiple acquistions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the cost of combination is measured at the sum of book value of the investment in the acquiree immediately before the combination and cost of acquisition of additional shareholding. If the investment prior to the combination is measured by fair value, cumulative other comprehensive income associated with the investment prior to the combination is not affected by the combination. If the investment prior to the combination is measured as an available-for-sale financial asset, the difference between the fair value and the book value of the investment immediately before the combination and the associated cumulative other comprehensive income recognised prior to the combination are carried to profit or loss.

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

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

4.12.2 Subsequent Measurement

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

1) Cost method of accounting for long-term equity investments

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

2) Equity method of accounting for long-term equity investments

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost.

The carrying amount of a long-term equity investment measured using the equity method is adjusted by the Company's share of the investee's net profit and other comprehensive income, which is recognised as investment income and other comprehensive income respectively. The carrying amount of a long-term equity investment measured using the equity method is reduced by profit distribution or cash dividends announced by the investee. The carrying amount of a long-term equity investment measured using the equity method is also adjusted by the investee's equity movement other than net profit, other comprehensive income and profit distribution, which is adjusted to capital reserves. The net profit of the investee is adjusted by the fair value of the investee's identifiable assets as at acquistion. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of unrealised profit or loss arising from related party transactions between the Company and an associate or joint venture is deducted from investment income. Unrealised loss arising from related party transactions between the Company and an associate or joint venture which is associated with asset impairment is not adjusted. Where assets transferred to an associate or joint venture which form part of the Company's investment in the investee but which does not enable the Company obtain control over the investee, the cost of the additional investment acquired is measured at the fair value of assets transferred and the difference between the cost of the additional investment and the book value of the assets transferred is recognised in profit or loss. Where assets transferred to an associate or joint venture form an operation, the difference between the consideration received and the book value of the assets transferred in recognised in profit or loss. Where assets transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is reocgnised in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees. The Company has obligation to share additional net loss of the investee, the estimated share of loss recognised as accrued liabilities and investment loss. Where the Company has unrecognised share of loss of the investee when the investee generates net profit, the Company's unrecognised share of loss is reduced by the Company's share of net profit and when the

Company's unrecognised share or loss is eliminated in full, the Company's share of net profit, if any, is recognised as investment income.

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

3) Acquisition of minority interest

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

4) Disposal of long-term equity investment

The parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner’s equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note 4.5.2 applies. For disposal of long-term equity investments in any situation other than the fore-mentioned situation, the difference between the book value of the investment disposed and the consideration received is recognised in profit or loss.

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

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

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

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

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

4.13 Investment property

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

The Group uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note 4.19 “Non-current and non-financial assets impairment ".

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

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

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

4.14 Fixed assets

4.14.1 The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year.Fixed assets only in the economic benefits associated with it will flow to the company and the cost can be measured reliably only are confirmed. Fixed assets are stated at cost and considering the expected costs of abandoning the initial measurement.

4.14.2 The method for depreciation

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

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

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

4.14.3 Measurement and recognition of fixed assets impairment

Impairment and provisions of fixed assets are disclosed on Note 4.19"Impairment of non-current andnon-financial assets".

4.14.4 Fixed Assets under finance leases

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

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

4.14.5 Others

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

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

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

4.15 Construction in progress

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use. Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note 4.19.

4.16 Borrowing costs

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

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

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

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

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

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

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

4.17 Intangible assets

4.17.1 Intangible asset

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

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

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

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulate impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

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

4.17.2 Research and development cost

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

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

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

1) it is technically feasible to complete the intangible asset so as to use it or sell it;

2) it is clearly invented to complete the intangible asset in order to use it or sell it;

3) it is probable that the intangible asset is capable of generating future economic benefit, such as the market for the product produced by the intangible asset or the intangible asset itself, it is objectively evidential that the intangible asset is economically usable if it is going to be used internally;

4) there are sufficient technical, financial and other resources to complete the intangible asset and to use it or sell it;

5) the cost of the development of the intangible can be measured reliably.

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

4.17.3 Impairment of intangible assets

Impairment and provisions of intangible assets are disclosed on Note 4.19.

4.18 Long-term deferred expenditure

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

4.19Impairment of long-term assets

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost methods and long-term equity investment on subsidiaries, jointly operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exits. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment. Impairment of loss is calculated and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained.

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

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

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

4.20Employee Benefits

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

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

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

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

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

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

4.21 Accrued liabilities

Recognition of accrued liabilities:

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

①This obligation is current obligation of the Company; and,

②The performance of this obligation will probably cause economic benefits outflow of the Company; and,

③The amount of this obligation can be reliably measured.

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

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

4.22 Revenue

4.22.1 Revenue from sales of goods

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

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

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

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

4.22.2 Revenue from rendering of service

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

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

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

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

4.22.3Revenue from construction contracts

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

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

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

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

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

4.22.4 Royalty Revenue

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

4.22.5 Interest Income

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

4.23 Government Grants

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

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

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

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

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

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

4.24Deferred tax assets and deferred tax liabilities

4.24.1 Income tax for the current period

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

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

4.24.2 Deferred income tax assets and liabilities

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

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

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

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

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

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

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

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

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

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

4.24.3 Income tax expenses

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

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

4.24.4 Income tax offset

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

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

4.25 Leases

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

4.25.1 The Company as Lessee under operating Lease

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

4.25.2 The Company as Leasorunder operating Lease

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

4.25.3 Financial lease to which the Company is the leasee

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

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

4.25.4 Financial lease to which the Company is the leasor

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

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

4.26 Significant account judgment and estimates

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

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

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

4.26.1 Revenue recognition of construction in progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue according to the percentage of completion at the balance sheet date. The percentage of completion is recognisedbased on the method in notes 4.22 and is calculated accumulatively in the years when the construction contract is executed.

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

4.26.2Classification of lease

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

4.26.3 Allowance for bad debts

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

4.26.4 Impairment of inventories

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regard of inventories and provisions for decline in value of inventories is made if the cost is higher than their net realizable value, and obsolete and slow-movement inventories. Inventories decline in value to net realizable value is the estimated selling price in the ordinary course of business. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events. The difference between the actual result and the original estimates shall have impact on reverse of the carrying amount of the inventories and their decline in value or provisions during the period of change.

4.26.5The fair value of financial instruments

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

4.26.6 Held-to-maturity investment

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

4.26.7 Impairment of held-to maturity investment

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

4.26.8 Impairment of available-for-sale assets

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

4.26.9 Impairment of non-financial, non-current assets

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

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

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

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

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

4.26.10 Depreciation and amortization

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

4.26.11 Deferred tax assets

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

4.26.12 Income tax

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

4.26.13 Accrued liabilities

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

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

4.26.14Fair value measurement

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

Note 5: Taxation

5.1 Taxes and surcharges applicable to the Company

Taxes and surcharges	Tax base	Tax rate%
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance afterdeduct the deductible input tax to pay the VAT	5, 6, 11, 13, 17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

Note: CaiShuiNo[2016] 36 about "The notice of fully push the pilot to replace the business tax with VAT" was implemented on 1 May 2016.

5.2 Taxes and surcharges applicable to the primary subsidiaries

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

Taxes and surcharges	Tax base	Tax rate%
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance after deduct the deductible input tax to pay the VAT	0, 5, 6, 11, 13, 17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	5
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	15

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

In accordance with the "The Notice Regarding to Fujian Province 2014 Second Group of High Technology Enterprise Review" (MingkegaoNo. [2015]6), TKL was identified as Fujian Province High Technology Enterprise (The certification No. GR201435000140), the validity is from the year 2014 to 2016.The current income tax is15%.

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

Taxes and surcharges	Tax base	Tax rate%
Value added tax	According to the revenues from sales to calculate the output tax, and use the balance after deduct the deductible input tax to pay the VAT	5, 11, 13, 17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

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

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

5.2.4Pt.StarComgistic Indonesia (hereafter, SCI)

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

Note 6: Notes to significant elements of the financial statements

Unless otherwise stated (incl. notes to significant elements of the financial statements is), the current year is 2016, prior year is 2015respectively.

6.1 Monetary funds

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Cash in hand	703,668.78	675,248.83
Bank deposit	748,793,446.55	755,549,612.46
Total	749,497,115.33	756,224,861.29
Including: The total amount of deposit abroad	19,034,720.76	10,342,335.64

6.2 Notes receivable

6.2.1 Disclosure by classification

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Bank acceptance	1,341,076.70	1,483,710.00
Total	1,341,076.70	1,483,710.00

6.2.2 Explanation

There is no unexpired notes receivable endorsed to other parties as at the end of this year, and there is no bank acceptance discounted to ban

6.3 Accounts receivable

6.3.1 Disclosure by classification

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	285,221,438.01	100.00	12,134,821.63	4.25	273,086,616.38
Portfolio by age	282,541,651.92	99.06	12,134,821.63	4.29	270,406,830.29
Portfolio by related parties	2,679,786.09	0.94	0.00	0.00	2,679,786.09
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	285,221,438.01	100.00	12,134,821.63	4.25	273,086,616.38

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	223,784,332.24	100.00	4,173,924.76	1.87	219,610,407.48

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Portfolio by age	219,651,642.29	98.15	4,173,924.76	1.90	215,477,717.53
Portfolio by related parties	4,132,689.95	1.85	0.00	0.00	4,132,689.95
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	223,784,332.24	100.00	4,173,924.76	1.87	219,610,407.48

6.3.1.1Accounts receivable using age analysis method for measurement of allowance for bad debt

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	273,522,124.14	3,115,293.85	1.14
Including: 1-90 days	245,140,789.48	0.00	0.00
91-180 days	26,995,768.73	2,699,576.89	10.00
181-270days	1,385,330.03	415,599.01	30.00
271-365 days	235.90	117.95	50.00
1 to 2 years	9,019,527.78	9,019,527.78	100.00
Total	282,541,651.92	12,134,821.63	4.29

6.3.1.2 Accounts receivable using related party group method for measurement of allowance for bad debt

Items	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Related parties	2,679,786.09	0.00	0.00
Total	2,679,786.09	0.00	0.00

6.3.2 Recognisation, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognised during the year is CNY8,274,664.27. The amount of recovered or reversedallowance for bad debts during the year is CNY59,931.90, the effect of exchange rate on bad debt provision is CNY-13,578.28.

6.3.3 Accounts receivable written off during the current year

Items	Written off amount
Sporadic accounts receivable written off	240,257.22

6.3.4 Details of top five accounts receivable

The total amount of top five accounts receivablessummaried by debtors as at the end of current year is

CNY167,189,000.24, accounting for 58.62% of the total accounts receivable as at the end of current year, the total corresponding allowance for bad debts is CNY1,897,921.97.

6.4 Advances to suppliers

6.4.1 Disclosure by age

Age	Balance as at 31/12/2016		Balance as at 31/12/2015	
	Amount	% of total	Amount	% of total
Within 1 year	6,964,904.97	100.00	16,903,922.92	99.98
1 to 2 years	0.00	0.00	3,087.09	0.02
Total	6,964,904.97	100.00	16,907,010.01	100.00

6.4.2 Details of top five advance to suppliers

The total amount of top five advance to suppliers as at the end of current year is CNY3,860,478.87, accounting for 55.43% of the totaladvance to suppliers.

6.5 Interests receivable

Items	Balance as at 31/12/2016	Balance as at 31/12/2015
Fixed deposit receipt	5,519.56	1,135,305.55
Total	5,519.56	1,135,305.55

6.6 Other receivable

6.6.1Disclosure by classification

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other receivable portfolio subject to impairment by credit risk:	40,404,849.01	96.02	1,698,478.04	4.20	38,706,370.97
Portfolio by age	40,156,836.65	95.43	1,698,478.04	4.23	38,458,358.61
Portfolio by related parties	248,012.36	0.59	0.00	0.00	248,012.36
Other receivable of individually insignificance subject to individually assessment for impairment	1,675,385.11	3.98	0.00	0.00	1,675,385.11
Total	42,080,234.12	100.00	1,698,478.04	4.04	40,381,756.08

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other receivable portfolio subject to impairment by credit risk:	52,934,856.54	96.02	4,371,184.05	8.26	48,563,672.49
Portfolio by age	52,934,856.54	96.02	4,371,184.05	8.26	48,563,672.49
Portfolio by related parties	0.00	0.00	0.00	0.00	0.00
Other receivable of individually insignificance subject to individually assessment for impairment	2,195,512.89	3.98	1,145,124.47	52.16	1,050,388.42
Total	55,130,369.43	100.00	5,516,308.52	10.01	49,614,060.91

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

Items	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	38,556,472.28	98,113.67	0.25
Including: 1-90 days	38,151,939.69		
91-180 days	248,296.59	24,829.67	10.00
181-270days	24,170.00	7,251.00	30.00
271-365 days	132,066.00	66,033.00	50.00
1 to 2 years	1,595,364.37	1,595,364.37	100.00
2 to 3 years			
Over 3 years	5,000.00	5,000.00	100.00
Total	40,156,836.65	1,698,478.04	4.23

6.6.1.2Other receivable of individually insignificance subject to individually assessment for impairment

Items	Carrying amount	% of total	Allowance for bad debt	Reason(s) for allowance
China Export & Credit Insurance Corporation, Fujian Branch	648,450.00	0.00	0.00	Guaranteed deposits, absence of impairment
PT. PLN (PERSERO)	462,968.30	0.00	0.00	Guaranteed deposits, absence of impairment

Items	Carrying amount	% of total	Allowance for bad debt	Reason(s) for allowance
Longhai People's Court	200,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Alipay (China) Network Technology Co., Ltd.	109,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Linde (China) Forklift Co., Ltd	62,946.00	0.00	0.00	Guaranteed deposits, absence of impairment
Xiamen YonganYoumei Automotive Products	50,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Niuhai E-commerce (Shanghai) Co., Ltd.	30,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Jiangsu Suning E-Commerce Co., Ltd	30,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Shunhe Trading Co., Ltd	27,577.51	0.00	0.00	Guaranteed deposits, absence of impairment
Beijing Dangdangkewen E-Commerce Co., Ltd.	20,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Gome Online E-Commerce Co., Ltd.	20,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Shanghai FeiniuJida E-Commerce Co., Ltd	10,000.00	0.00	0.00	Guaranteed deposits, absence of impairment
Others	4,443.30	0.00	0.00	Guaranteed deposits, absence of impairment
Total	1,675,385.11			

6.6.2 Recognisation, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the current year is CNY32,394.14, other receivables written off during the current year is CNY3,850,369.00, the effect of exchange rate on bad debt provision is CNY144.38.

6.6.3 Details of top five other receivables

Debtors	Nature of OR	Carrying amount as at 31/12/2016	Age	% of total	Allowance for bad debt as at 31/12/2016
Zhangzhou State Administration of Taxation	Export tax rebate	22,500,000.00	Within 1 year	53.47	
Fujian Hongyuan Group Materials Recycling Co., Ltd	Rent fee, electricity and water bill	1,671,303.34	Within 1 year	3.97	
Zhangzhou Haikun Metal Products Co., Ltd	Rent fee, electricity and water bill	1,875,674.20	Within 1 year	4.46	
Zhangzhou Ruicheng Metal Products Co., Ltd	Rent fee, electricity and water bill	958,373.63	Within 1 year	2.28	
Shanghai Tanghai Investment Co., Ltd.	Rent fee, electricity and water bill	1,145,124.46	Over 1 year	2.72	1,145,124.46
Total		28,150,475.63		66.90	1,145,124.46

6.7 Inventories

6.7.1 Disclosure by classification

Items	Balance as at 31/12/2016		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	91,666,560.32	28,867,144.56	62,799,415.76
Work in progress	15,235,243.63	0.00	15,235,243.63
Self-manufactured semi-finished goods	14,871,592.53	1,572,057.26	13,299,535.27
Finished goods	141,540,287.35	16,689,572.67	124,850,714.68
Low-value consumables	5,214,202.94	0.00	5,214,202.94
Materials in transit	2,170,009.62	0.00	2,170,009.62
Total	270,697,896.39	47,128,774.49	223,569,121.90

(Continued)

Items	Balance as at 31/12/2015		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	91,396,385.42	18,521,377.30	72,875,008.12
Work in progress	12,536,811.29	0.00	12,536,811.29
Self-manufactured semi-finished goods	18,983,995.05	1,858,837.76	17,125,157.29

Items	Balance as at 31/12/2015		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Finished goods	169,996,603.19	17,464,104.93	152,532,498.26
Low-value consumables	5,087,609.94	0.00	5,087,609.94
Materials in transit	4,221,289.94	0.00	4,221,289.94
Total	302,222,694.83	37,844,319.99	264,378,374.84

6.7.2Impairment allowance for inventories

Items	Balance as at 31/12/2015	Increase in current year		Decrease in current year		Balance as at 31/12/2016
		Accrual	Impact of changes in exchange rates	Recovered or Written off	Other	
Raw material	18,521,377.30	16,770,132.49	106,476.73	6,530,841.96	0.00	28,867,144.56
Self-manufactured semi-finished goods	1,858,837.76	702,827.13	0.00	989,607.63	0.00	1,572,057.26
Finished goods	17,464,104.93	6,716,695.23	23,108.74	7,514,336.23	0.00	16,689,572.67
Total	37,844,319.99	24,189,654.85	129,585.47	15,034,785.82	0.00	47,128,774.49

6.7.3 The basis of recognizingimpairment allowance and the reason of recovering or writing off the impairment allowance for inventories

Items	The basis of recognition of impairment allowance for inventories	The reason of recovering impairment allowance for inventories	The reasons for inventory impairment write-off at current year
Raw material	Market prices decrease, and resulting in raw material’s net realizable value lower than cost		Sale or disposal
Self-manufactured semi-finished goods	Market prices decrease, and resulting in self-manufactured semi-finished goods’ net realizable value lower than cost		Sale or disposal
Finished goods	Market prices decrease, and resulting in Finished goods’ net realizable value lower than cost		Sale or disposal

6.8 Other current assets

Items	Carrying amounts as at 31/12/2016	Carrying amounts as at 31/12/2015
Input tax to be deducted	8,708,135.99	10,028,063.94
Financial products	130,646,348.02	80,000,000.00
Total	139,354,484.01	90,028,063.94

6.9Available-for-sale financial assets

6.9.1 The situation of available-for-sale financial assets

Items	Carrying amounts as at 31/12/2016			Carrying amounts as at 31/12/2015		
	Carrying amounts	Impairment	Net carrying amounts	Carrying amounts	Impairment	Net carrying amounts
Available for sale equity instruments	40,000.00	0.00	40,000.00	40,000.00	0.00	40,000.00
Including: measured by cost	40,000.00	0.00	40,000.00	40,000.00	0.00	40,000.00
Total	40,000.00	0.00	40,000.00	40,000.00	0.00	40,000.00

6.9.2 The measurement of the cost of available for sale financial assets at the end of current year

Investee	Carrying amounts as at 31/12/2016				Impairment				% of total	Cash dividend for current year
	Carrying amounts as at 31/12/2015	Increase in current year	Decrease in current year	Carrying amounts as at 31/12/2016	Carrying amounts as at 31/12/2015	Increase in current year	Decrease in current year	Carrying amounts as at 31/12/2016		
Xiamen Association of Enterprises with Foreign Investment	40,000.00	0.00	0.00	40,000.00	0.00	0.00	0.00	0.00	1.48	8,474.00
Total	40,000.00	0.00	0.00	40,000.00	0.00	0.00	0.00	0.00	1.48	8,474.00

6.10 Investment property

6.10.1 Investment property measured using the historical cost convention

Items	Houses and buildings	Land use rights	Total
1. Cost:			
1.1 Balance as at 31/12/2015	130,947,241.39	29,260,577.51	160,207,818.90
1.2 Increased in current year	0.00	0.00	0.00
1.3 Decreased in current year	0.00	0.00	0.00

Items	Houses and buildings	Land use rights	Total
1.4 Balance as at 31/12/2016	130,947,241.39	29,260,577.51	160,207,818.90
2. Accumulated Depreciation and accumulated amortization			
2.1Balance as at 31/12/2015	101,611,164.31	12,411,437.91	114,022,602.22
2.2 Increased in current year	3,404,984.37	622,111.80	4,027,096.17
2.2.1 Accrual or amortization	3,404,984.37	622,111.80	4,027,096.17
2.3 Decreased in current year	0.00	0.00	0.00
2.4 Balance as at 31/12/2016	105,016,148.68	13,033,549.71	118,049,698.39
3. Carrying amount			
3.1 Carrying amount as at 31/12/2016	25,931,092.71	16,227,027.80	42,158,120.51
3.2 Carrying amount as at 31/12/2015	29,336,077.08	16,849,139.60	46,185,216.68

6.10.2 Investment property with pending ownership registration

Items	Carrying amount	Reason for pending
Lvyuan three country villa	1,837,390.95	

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

6.11 Fixed assets

6.11.1 Circumstance of fixed assets

Items	Houses and buildings	Machineries	Electronic device, modules and others	Vehicles	Improvement expense of leased fixed assets	Total
1. Cost:						
1.1 Balance as at 31/12/2015	91,674,356.12	155,629,306.78	1,149,409,910.03	16,875,123.73	67,084,937.26	1,480,673,633.92
1.2 Increased in current year	2,213,132.46	2,909,189.91	53,146,592.78	124,457.24	1,824,827.88	60,218,200.27
1.2.1 Purchase	0.00	2,895,640.60	51,856,162.77	57,516.89	1,217,134.17	56,026,454.43
1.2.2Impact of changesin exchange rates	2,213,132.46	13,549.31	1,290,430.01	66,940.35	607,693.71	4,191,745.84
1.3 Decreased in current year	0.00	3,287,914.75	75,105,968.43	426,716.43	750,740.87	79,571,340.48
1.3.1Disposal or scrap	0.00	3,287,914.75	75,105,968.43	416,660.23	718,952.76	79,529,496.17

Items	Houses and buildings	Machineries	Electronic device, modules and others	Vehicles	Improvement expense of leased fixed assets	Total
1.3.2 Impact of changesin exchange rates	0.00	0.00	0.00	10,056.20	31,788.11	41,844.31
1.4 Balance as at 31/12/2016	93,887,488.58	155,250,581.94	1,127,450,534.38	16,572,864.54	68,159,024.27	1,461,320,493.71
2. Accumulated Depreciation						
2.1 Balance as at 31/12/2015	41,096,327.94	98,129,035.31	1,052,966,111.49	15,597,893.01	57,144,501.77	1,264,933,869.52
2.2 Increased in current year	4,200,784.77	6,906,614.23	30,376,405.96	355,857.24	4,561,797.87	46,401,460.07
2.2.1 Accrual	3,782,117.11	6,286,486.80	29,709,777.72	319,723.06	4,252,754.73	44,350,859.42
2.2.2 Impact of changesin exchange rates	418,667.66	620,127.43	666,628.24	36,134.18	309,043.14	2,050,600.65
2.3 Decreased in current year	0.00	2,098,995.23	65,958,241.24	347,750.11	89,551.81	68,494,538.39
2.3.1 Disposal or scrap	0.00	2,098,995.23	65,958,241.24	340,932.03	85,759.98	68,483,928.48
2.3.2 Impact of changesin exchange rates	0.00	0.00	0.00	6,818.08	3,791.83	10,609.91
2.4 Balance as at 31/12/2016	45,297,112.71	102,936,654.31	1,017,384,276.21	15,606,000.14	61,616,747.83	1,242,840,791.20
3. Impairmentallowance						
3.1Balance as at 31/12/2015	0.00	20,322,787.11	18,175,791.88	1,339.62	182,883.96	38,682,802.57
3.2 Increased in current year	0.00	2,075,980.23	7,396,306.52	4,254.57	0.00	9,476,541.32
3.2.1 Accrual	0.00	2,004,719.95	7,382,247.75	4,015.75	0.00	9,390,983.45
3.2.2 Impact of changesin exchange rates	0.00	71,260.28	14,058.77	238.82	0.00	85,557.87
3.3 Decreased in current year	0.00	46,845.06	4,161,806.68	0.00	0.00	4,208,651.74
3.3.1 Disposal or scrap	0.00	46,845.06	4,161,806.68	0.00	0.00	4,208,651.74
3.4 Balance as at 31/12/2016	0.00	22,351,922.28	21,410,291.72	5,594.19	182,883.96	43,950,692.15
4. Carrying amount						
4.1 Carrying amount as at 31/12/2016	48,590,375.87	29,962,005.35	88,655,966.45	961,270.21	6,359,392.48	174,529,010.36
4.2 Carrying amount as at 31/12/2015	50,578,028.18	37,177,484.36	78,268,006.66	1,275,891.10	9,757,551.53	177,056,961.83

6.11.2 Fixed assets with pending ownership registration

Items	Carrying amount	Reason forpending
Lvyuan three country villa	707,709.16	
Jingying garden	190,146.82	Legal procedures in process

Note: Lvyuan three country villa is the houses with limited property rights and it is bought by the TsannKuen China (Shanghai) Enterprise Co., Ltd. which is the subsidiary of the Company from Shanghai Lvsheng Real State Development Co., Ltd. in year 1999, and there has no land expropriation. Shanghai Lvsheng Real State

Development Co., Ltd. and Shanghai Jiading district, Huangdu town Lvyuan community residents' committees issued Certificate jointly to prove the right of this property belongs to TsannKuen China (Shanghai) Enterprise Co., Ltd. in January 2003.

6.11.3 Impairment allowancefor fixed assets amounting toCNY9,390,983.45 was recognised during the current period for impaired fixed assets upon impairment assessment. The impairment allowance was measured as the net recoverable value of the impaired assets which is computed as the fair value of the said assets minus disposal costs. The fair value of the said assets is measured as the estimated value based on the recent transacted prices of similar assets in secondary markets.

6.12 Construction in progress

Items	Carrying amounts as at 31/12/2016			Carrying amounts as at 31/12/2015		
	Carrying amounts	Impairment	Net carrying amounts	Carrying amounts	Impairment	Net carrying amounts
Sporadic project	269,633.08	0.00	269,633.08	210,916.60	0.00	210,916.60
Total	269,633.08	0.00	269,633.08	210,916.60	0.00	210,916.60

6.13 Intangible assets

Items	Land rights	Software	Total
1. Cost:			
1.1 Balance as at 31/12/2015	13,711,137.38	16,821,376.07	30,532,513.45
1.2 Increased in current year	4,691,705.30	6,702,530.34	11,394,235.64
1.2.1 Purchase	3,601,677.08	6,651,722.41	10,253,399.49
1.2.2 Impact of changesin exchange rates	1,090,028.22	50,807.93	1,140,836.15
1.3 Decreased in current year			
1.3.1 Disposal			
1.3.3 Impact of changesin exchange rates			
1.4 Balance as at 31/12/2016	18,402,842.68	23,523,906.41	41,926,749.09
2. Accumulated amortization			
2.1 Balance as at 31/12/2015	1,903,870.49	14,087,963.78	15,991,834.27
2.2 Increased in current year	645,001.74	1,449,635.96	2,094,637.70
2.2.1 Accrual	493,909.96	1,431,845.13	1,925,755.09
2.2.2 Impact of changesin exchange rates	151,091.78	17,790.83	168,882.61
2.3 Decreased in current year			
2.3.1 Accrual			
2.3.2 Impact of changesin exchange rates			
2.4 Balance as at 31/12/2016	2,548,872.23	15,537,599.74	18,086,471.97

Items	Land rights	Software	Total
3. Carrying amount			
3.1 Carrying amount as at 31/12/2016	15,853,970.45	7,986,306.67	23,840,277.12
3.2 Carrying amount as at 31/12/2015	11,807,266.89	2,733,412.29	14,540,679.18

6.14 Long-term deferred charge

Items	Carrying amount as at 31/12/2015	Increase during the current year	Amortisation for the current year	Other decrease during the current year	Carrying amount as at 31/12/2016
Telecommunications engineering	405,866.33	0.00	335,999.92	0.00	69,866.41
Houses and buildings renovation expenses	3,077,597.22	2,233,143.81	1,238,365.25	0.00	4,072,375.78
Total	3,483,463.55	2,233,143.81	1,574,365.17	0.00	4,142,242.19

6.15 Deferred tax assets and deferred tax liabilities

6.15.1 Without offsetting deferred tax assets

Items	Carrying amountas at 31/12/2016		Carrying amountas at 31/12/2015	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment allowance	90,927,159.61	14,054,185.03	70,226,882.23	10,735,568.74
Accrued expenses	16,244,337.85	2,785,902.38	11,934,848.95	2,200,171.07
Held for trading financial liabilities	0.00	0.00	8,462,500.00	1,269,375.00
Unrealized profits from intragrouptransactions	694,807.76	173,701.94	810,452.20	202,613.05
Payroll liability	521,002.29	88,570.39	72,568.88	12,336.71
Accumulated depreciation of fixedassets	14,669.59	2,493.83	20,099.88	3,416.98
Undistributed deficit	0.00	0.00	3,287,856.59	558,935.62
Total	108,401,977.10	17,104,853.57	94,815,208.73	14,982,417.17

6.15.2 Without offsetting deferred tax liabilities

Items	Carrying amountas at 31/12/2016		Carrying amountas at 31/12/2015	
	Taxable temporary difference	Deferred tax assets	Taxable temporary difference	Deferred tax assets
Accumulated depreciation of fixedassets	3,024,559.40	756,139.85	965,567.04	241,391.76
Others	31,303.41	5,321.58	7,728.94	1,313.92
Total	3,055,862.81	761,461.43	973,295.98	242,705.68

6.15.3 Details of unrecognized deferred tax assets

Items	Carrying amountas at 31/12/2016	Carrying amountas at 31/12/2015
Impairment allowance for assets	13,985,606.70	15,990,473.61
Accrued expenses	21,476,401.95	17,993,277.12
Payroll liability	1,946,095.13	1,321,984.20
Undistributed deficit	98,961,110.41	67,812,406.96
Total	136,369,214.19	103,118,141.89

Note: Due to whether the availability of future to obtain sufficient taxable income is uncertain that is list in above, and therefore no deferred tax assets are recognized as deductible temporary differences and recoverable losses.

6.15.4 The deductible losses of unrecognized deferred tax assets shall be matured in the following years

Year	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015	Note
Year 2016		9,575,465.30	
Year 2017	15,169,401.17	15,169,401.17	
Year 2018	15,995,805.21	15,995,805.21	
Year 2019	12,504,247.51	12,504,247.51	
Year 2020	14,123,000.61	14,123,000.61	
Year 2021	32,619,175.26		
Total	90,411,629.76	67,367,919.80	

6.16 Other non-current assets

Items	Carrying amountas at 31/12/2016	Carrying amountas at 31/12/2015
Prepaid mold fee	735,106.87	1,608,236.93
Prepaid facilities etc.	513,166.36	4,656,534.22
Total	1,248,273.23	6,264,771.15

6.17 Financial liabilities measured as at fair value and the changes recorded into profit and loss

Items	Carrying amountas at 31/12/2016	Carrying amountas at 31/12/2015
Held for trading financial liabilities	0.00	8,462,500.00
Including:Derivative financial liabilities	0.00	8,462,500.00
Total	0.00	8,462,500.00

6.18 Notes payable

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Commercial acceptance	16,751,704.93	16,780,514.31
Bank acceptance	6,500,000.00	10,194,127.43
Total	23,251,704.93	26,974,641.74

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

6.19 Accounts payable

6.19.1 Detail for accounts payable

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Within 1 year	584,203,266.68	568,275,778.95
Over 1 year	5,215,192.25	7,659,828.06
Total	589,418,458.93	575,935,607.01

6.19.2 Details of significant accounts payable remaining unsettled for more than one year

Creditors	Amounts outstandingas at 31/12/2016	Reason(s) for unsettlement
XingdaElectronical& Mechanical Co,. Ltd.	1,838,136.08	Quality disputes
Ningbo Jiesiluo Electrical Equipment Co., Ltd.	979,964.67	Quality disputes
Ningbo Chaochao Electrical Equipment Co., Ltd.	500,237.01	Quality disputes
Total	3,318,337.76	

6.20 Advances from customers

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Within 1 year	6,763,325.48	13,784,897.40
Over 1 year	4,423,698.48	2,043,659.31
Total	11,187,023.96	15,828,556.71

6.21 Employee benefits payable

6.21.1 Disclosure by classification

Items	Carrying amount as at 31/12/2015	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2016
1. Short-term employee benefits	42,402,057.01	241,068,959.76	238,013,670.92	45,457,345.85
2. Post-employment benefits	89,648.83	10,275,325.76	10,203,946.74	161,027.85
3. Termination benefits	391,342.00	1,667,554.39	2,005,771.39	53,125.00
Total	42,883,047.84	253,011,839.91	250,223,389.05	45,671,498.70

6.21.2 Disclosure by classification of short-term employee benefits

Items	Carrying amount as at 31/12/2015	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2016
1. Wages, salaries and subsidies	31,569,208.46	215,130,899.83	212,859,667.08	33,840,441.21
2. Employee welfare	11,449.28	11,933,447.87	11,943,006.99	1,890.16
3. Social insurance:	546,417.06	8,355,988.30	8,377,526.55	524,878.81
Including: Medical insurance	494,568.23	6,141,848.28	6,156,764.51	479,652.00

Items	Carrying amount as at 31/12/2015	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2016
Employment injury insurance	8,382.06	1,780,454.03	1,788,428.44	407.65
Maternity insurance	43,466.77	433,685.99	432,333.60	44,819.16
4.Housing provident fund	8,581,566.90	5,255,905.60	4,746,907.28	9,090,565.22
5.Labour union fee and employee education fee	0.00	86,563.02	86,563.02	0.00
6. Short-term paid absences	1,693,415.31	306,155.14	0.00	1,999,570.45
Total	42,402,057.01	241,068,959.76	238,013,670.92	45,457,345.85

6.21.3 Disclosure by defined contribution plan

Items	Carrying amount as at 31/12/2015	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2016
1. Basic pension	50,833.27	9,650,417.11	9,540,841.75	160,408.63
2. Unemployment insurance	38,815.56	624,908.65	663,104.99	619.22
Total	89,648.83	10,275,325.76	10,203,946.74	161,027.85

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

6.22 Taxes payable

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Business tax	784,938.20	1,175,349.15
Corporate income tax	12,621,020.07	2,126,878.13
Value added tax	0.00	222,137.80
Personal income tax	463,263.27	472,557.24
Education surcharge	1,008,596.50	736,753.02
Urban maintenance and construction surcharge	966,427.13	698,361.21
Others	1,120,822.94	729,224.85
Total	16,965,068.11	6,161,261.40

6.23 Other payables

6.23.1 Detail for other payables

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Within 1 year	50,629,928.01	53,903,049.43
Over 1 year	7,781,735.18	11,192,326.01
Total	58,411,663.19	65,095,375.44

6.23.2 Details of significant other payables remaining unsettled for more than one year

Items	Carrying amount as at 31/12/2016	Reason(s)for unsettlement
Mold fees	671,113.46	Generation advances, unpaid
Deposit	3,472,952.40	Termination be returned
Total	4,144,065.86	

6.24 Long-term employee benefits payable

6.24.1 Disclosure by classification

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
1. Post-employment benefits - net liabilities of defined benefit plans	187,928.74	65,990.52
Total	187,928.74	65,990.52

6.24.2 Movement of defined benefit plan

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
1.Balance as at 31/12/2015	65,990.52	0.00
2. Defined benefit cost recognised in profit or loss in the current period	138,780.09	65,990.52
3.Defined benefit cost recognised in other comprehensive income	25,083.69	0.00
4. Other movements	-41,925.56	0.00
4.1 Consideration payment at the time of settlement	0.00	0.00
4.2 Benefit paid	-37,896.78	0.00
4.3 Contribution by employees	0.00	0.00
4.4 Others	-4,028.78	0.00
5.Balance as at 31/12/2016	187,928.74	65,990.52

6.24.3 Significant actuarial assumptions and sensitivity analysis of the defined benefit plan

6.24.3.1 A subsidiary of the Company is based on the provisions of Taiwan (Labor Standards Act) to formulate a retirement scheme for the determination of benefits for the service year of all official employees before the implementation of the Labor Pension Regulations on 1 July 2005, and after the implementation of the Labor Pension Ordinance (EAP). Employees are eligible for retirement, the payment of the pension is based on the service year and the average salary of 6 months before retirement, within 15 years (inclusive) of the service year for each year to give two base, more than 15 years of service each year is given a base for a full year, but the cumulative maximum is 45 basis points.

6.24.3.2 The total amount in the balance sheet is recognized as follows

Items	Carrying amount as at 31/12/2015	Carrying amount as at 31/12/2016
Determine the present value of welfare obligations	65,990.52	187,928.74

6.24.3.3 The actuarial assumptions about the pension are summarized as follows

Items	31/12/2016	31/12/2015
Discount Rate	1.00%	0.80%
Future salary increase rate	1.50%	1.50%

The assumptions about future mortality are estimated on the basis of the statistics and experience published by each country. The present value of the defined benefit obligation as a result of the change in the principal actuarial assumptions used is as follows

31/12/2016	Discount Rate		Future salary increase rate	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
The impact of determine the present value of welfare obligations	211,008.50	222,536.55	215,555.78	206,602.35

(Continued)

31/12/2015	Discount Rate		Future salary increase rate	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
The impact of determine the present value of welfare obligations	70,336.67	74,228.76	73,841.39	70,688.50

The sensitivity analysis described above analyzes the impact of a single hypothesis change based on other assumptions. Many of the assumptions in practice may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The method used in the preparation of the sensitivity analysis is the same as the previous method.

6.24.3.4 The weighted average duration of the retirement scheme is 5.2 years as at 31 December 2016.

6.25 Share capital

Items	Carrying amount as at 31/12/2015	Movements during the current reporting period (+、—)					Carrying amount as at 31/12/2016
		Share issue	Bonus issue	Conversion from reserves	Others	Subtotal	
Total amount of floating shares	185,391,680.00						185,391,680.00

6.26 Capital reserves

Items	Carrying amount as at 31/12/2015	Increaseduring the currentyear	Decreaseduring the currentyear	Carrying amount as at 31/12/2016
Share premium	210,045,659.80	0.00	0.00	210,045,659.80
Other capital reserves	72,871,038.87	18,690,902.55	4,798,635.43	86,763,305.99
Total	282,916,698.67	18,690,902.55	4,798,635.43	296,808,965.79

Note: The increase of the capital reserve CNY4,502,250.00resulted from recognition in equity of proceeds from under the common control of the merger of the acquisition of TsannKuenXianruiIntelligent Co., Ltd., and adjust the beginning of the comparison.The increase in the capital reserve of the current period is the change in the proportion of the shares caused by the transfer of the subsidiary (without loss of control of the subsidiary), the corresponding capital reserve of the subsidiary is increased by CNY18,690,902.55. The decrease of the capital reserve CNY4,798,635.43resulted fromthe acquisition of TsannKuenXianruiIntelligent Co., Ltd. under the common control.

6.27 Other comprehensive income

Items	Carrying amount as at 31/12/2015	Total amount in current year					Carrying amount as at 31/12/2016
		Amount for the year before tax	Less: previously recognized in other comprehensive incometransferred into profit or loss	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	
1. Other comprehensive income not reclassifiable to profit or loss in subsequent periods							
Including: Movements from re-measurement of net liabilities(assets) of defined benefit plan	0.00	25,083.69	0.00	4,264.23	15,614.61	5,204.85	15,614.61
The share of other comprehensive income that cannot be reclassified into profit or loss under the equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Other comprehensive							

Items	Carrying amount as at 31/12/2015	Total amount in current year					Carrying amount as at 31/12/2016
		Amount for the year before tax	Less: previously recognized in other comprehensive incometransferred into profit or loss	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	
Income reclassifiable to profit or loss in subsequent periods							
Including: The share of other comprehensive income that can be reclassified into profit or loss under the equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreign exchange difference on translation of financial Statements	3,247,335.35	6,971,936.65	0.00	0.00	5,228,952.49	1,742,984.16	8,476,287.84
Total	3,247,335.35	6,997,020.34	0.00	4,264.23	5,244,567.10	1,748,189.01	8,491,902.45

6.28 Surplus reserves

Items	Carrying amount as at 31/12/2015	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2016
Statutory surplus reserve	20,962,521.51	8,983,696.66	0.00	29,946,218.17
Total	20,962,521.51	8,983,696.66	0.00	29,946,218.17

Note: According to the provisions of the Company Law and the Articles of Association of the Company to accrual statutory surplus reserve of 10 % of net profit,and no longer to accrual the statutory surplus reserve has reached more than 50% of the registered capital of the company.

After the Company has accrual the statutory surplus reserve, the Company can accrual any surplus reserve fund. Upon approval, the discretionary surplus reserve fund may be used to cover future losses or increase in share capital.

6.29 Retained earnings

Items	Current year	Prior year
Pre-adjustment balance brought forward	69,510,872.20	67,223,203.93
Total adjustment to retained earnings b/f (+, -)	0.00	0.00

Items	Current year	Prior year
Retained earnings b/f after adjustment	69,510,872.20	67,223,203.93
Add: Net profit attributable to shareholders of the parent	48,229,497.36	34,658,898.51
Less: Appropriation to statutory surplus reserve	8,983,696.66	4,562,478.24
Appropriation to discretionary surplus reserve	0.00	0.00
General reserve	0.00	0.00
Ordinary dividends declared	18,539,168.00	27,808,752.00
Bonus issue	0.00	0.00
Balance carrying forward	90,217,504.90	69,510,872.20

6.30 Operating revenues and costs

6.30.1 General information

Items	Current year	Prior year
Principal operating income	1,756,523,175.58	1,902,907,171.01
Other operating income	56,758,046.84	65,841,423.28
Total	1,813,281,222.42	1,968,748,594.29
Principal operating cost	1,465,963,830.11	1,650,198,796.68
Other operating cost	29,137,307.15	22,426,043.53
Total	1,495,101,137.26	1,672,624,840.21

6.30.2 Revenues from principal operating activities by business

Industry	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Household appliances industry	1,756,523,175.58	1,465,963,830.11	1,902,907,171.01	1,650,198,796.68
Total	1,756,523,175.58	1,465,963,830.11	1,902,907,171.01	1,650,198,796.68

6.30.3 Revenues from principal operating activities by products

Products	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Catering and Cooking	1,170,980,668.15	963,867,693.01	1,237,385,562.27	1,056,546,841.40
Home helper	389,534,553.10	345,624,878.77	414,423,298.75	373,447,044.88
Tea/Coffee makers	185,543,854.30	150,627,128.90	235,062,032.76	207,140,807.34
Others	10,464,100.03	5,844,129.43	16,036,277.23	13,064,103.06
Total	1,756,523,175.58	1,465,963,830.11	1,902,907,171.01	1,650,198,796.68

6.30.4Revenues from principal operating activities by territories

Area	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Australia	103,477,102.39	83,003,731.68	98,405,708.12	82,385,770.35
Africa	13,773,237.72	11,337,729.75	9,827,663.03	8,638,937.49
America	729,919,780.40	621,521,499.18	800,913,083.11	703,013,743.72
Europe	465,703,470.88	386,315,075.94	425,861,801.42	366,981,330.59
Asia	443,649,584.19	363,785,793.56	567,898,915.33	489,179,014.53
Total	1,756,523,175.58	1,465,963,830.11	1,902,907,171.01	1,650,198,796.68

6.30.5 Details of operating revenues from top five clients

Period	Total amount of operating revenues from top five clients	% of operating revenues in the same period
Year 2016	953,101,030.51	52.56
Year 2015	1,005,033,973.35	51.05

6.31 Sales tax and surcharges

Items	Current year	Prior year
Business tax	978,460.80	3,874,088.21
Education surcharge	2,883,132.93	1,515,403.52
Urban maintenance and construction tax	2,930,728.15	1,523,365.77
Property tax	2,340,287.39	0.00
Land holding tax	1,071,751.62	0.00
Stamp duty	861,738.01	0.00
Others	231,504.26	2,843.64
Total	11,297,603.16	6,915,701.14

Note: the recognition criteria for taxes and surcharges refer to Note 5 Taxation.

6.32 Sales expenses

Items	Current year	Prior year
Export expanses	34,333,022.30	35,749,653.41
Employee remunerations	20,622,197.70	21,847,356.45
Claimsexperiment expenses	14,691,010.68	13,953,124.51
Advertisements charges and sales promotion	7,295,000.38	4,747,066.71
Sales commission and after sales service fees	4,045,201.66	4,713,775.71
Travel expenses	2,494,667.62	2,460,371.03
Transportation charges	1,536,538.04	979,986.18

Items	Current year	Prior year
Administrative expenses	1,044,003.11	1,259,675.52
Others	664,908.04	533,699.15
Assets lease expenses	263,791.20	2,661,536.01
Total	86,990,340.73	88,906,244.68

6.33 General and administrative expenses

Items	Current year	Prior year
R&D expenses	68,602,455.27	78,559,444.54
Employee remunerations	34,883,562.15	48,258,497.36
Rental expenses	15,400,402.77	16,975,318.26
Depreciation and amortization of assets	12,603,582.98	9,906,499.55
Others	7,583,901.01	9,185,124.57
Maintenance expenses	5,601,979.73	6,557,605.92
Travel expenses	4,155,796.67	4,279,900.82
Consultant fees	3,565,995.02	2,915,872.69
Administrative expenses	2,914,988.44	3,159,567.69
Insurance expenses	1,985,996.08	1,806,665.71
Taxes and surcharges	0.00	3,194,832.43
Total	157,298,660.12	184,799,329.54

6.34 Financial costs

Items	Current year	Prior year
Interest expenses	595,664.51	3,488,381.49
Less:Interestincome	5,971,578.83	13,077,928.73
Exchange gain or loss	-28,195,831.56	-28,372,547.02
Bank charges	2,060,643.20	2,456,422.63
Total	-31,511,102.68	-35,505,671.63

6.35 Loss on asset impairment

Items	Current year	Prior year
Impairment loss on receivables	4,396,757.51	7,137,291.60
Impairment loss on inventories	24,189,654.85	8,619,616.27
Impairment loss on fixed assets	9,390,983.45	153,445.83
Total	37,977,395.81	15,910,353.70

6.36 Gain from changes in fair value

Source of fair value change	Current year	Prior year
Financial assets measured by fair value with changes in fair value recognised in profit or loss	0.00	- 2,610,000.00
Including: Derivative financial assets	0.00	- 2,610,000.00
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss	8,462,500.00	-4,506,240.15
Including: Derivative financial assets	8,462,500.00	-4,506,240.15
Total	8,462,500.00	-7,116,240.15

6.37 Investment income

Items	Current year	Prior year
Investment income from disposal of financial assets measured by fair value with changes in fair value recognised in profit or loss	-7,464,610.60	2,688,599.99
Investment income fromthe available-for-sale financial assets during the holding period	8,474.00	0.00
Investment income from financial products	10,151,666.66	13,899,381.28
Total	2,695,530.06	16,587,981.27

6.38 Non-operating income

Items	Current year	Prior year	Included in current year non-recurring profit and loss
Gains from disposal of non-current assets	933,505.34	1,558,791.03	933,505.34
Including: Gains from disposal of fixed assets	933,505.34	1,558,791.03	933,505.34
Income from indemnities	2,145,827.32	646,499.10	2,145,827.32
Government grants (see the following table for detail: Details for government grants)	3,768,118.00	3,752,212.58	3,768,118.00
Unable to pay overdue accounts payable	656,716.74	765,043.20	656,716.74
Others	2,812,044.47	1,455,921.52	2,812,044.47
Total	10,316,211.87	8,178,467.43	10,316,211.87

Details of government grants which are recognised into profit or loss during current year

Government assistance	Current year	Prior year	Related with assets/income
Municipal industry awards	1,000,000.00		Related with income
Export industry transformation and upgrading subsidies	836,053.00	1,000,000.00	Related with income
Intelligent manufacturing project funds	507,500.00		Related with income
Subsidies for export letter guarantees	403,314.00	1,164,401.00	Related with income
Haixi Construction Project Project Government Subsidies	350,000.00		Related with income

Government assistance	Current year	Prior year	Related with assets/income
Xiamen University production and research subsidies	300,000.00		Related with income
Production and efficiency increase gains	100,000.00		Related with income
Science and technology subsidies	81,751.00	262,111.58	Related with income
Patents subsidies	102,400.00	425,700.00	Related with income
Entrepreneurial talents special subsidies		400,000.00	Related with income
Other fiscal subsidies	87,100.00	500,000.00	Related with income
Total	3,768,118.00	3,752,212.58	

6.39 Non-operating expenses

Items	Current year	Prior year	Included in current year non-recurring profit and loss
Loss on disposal of non-current assets	686,335.66	60,319.08	686,335.66
Including: Loss on disposal of fixed assets	619,769.91	18,376.30	619,769.91
Loss on scraped fixed assets	66,565.75	41,942.78	66,565.75
Fines	187,461.13	3,200.00	187,461.13
External donations	1,987.78	0.00	1,987.78
Others	40,922.71	8,923.61	40,922.71
Total	916,707.28	72,442.69	916,707.28

6.40 Income tax expenses

6.40.1General information

Items	Current year	Prior year
Current income tax calculated in accordance with relevant tax law	15,347,451.97	4,823,057.57
Deferred tax	-1,613,317.65	3,354,474.59
Total	13,734,134.32	8,177,532.16

6.40.2 Reconciliation of account profit and income tax expenses

Items	Current year
Profit before tax	76,684,722.67
Income tax computed in accordance with the applicable tax rate	19,171,180.67
Impact of differing tax rates applicable to subsidiaries	-9,135,150.86
Impact of adjustment for prior period tax expenses	-746,133.28
Impact of non-taxable income	-2,118.50
Impact of non-deductible costs, expenses and losses	355,744.81
Impact of utilisation of prior period deductible temporary differences and taxable temporary differences for	0.00

Items	Current year
which no deferred tax asset has been recognised	
Impact of current period deductible temporary differences and taxable temporary differences fo which no deferred tax asset has been recognised	7,637,206.46
Impact of additional deduction for R&D expenses	-3,546,594.98
Income tax expenses	13,734,134.32

6.41 Other comprehensive income

Please see Note 6.27 for details.

6.42 Notes to the statement of cash flows

6.42.1 Other cash received relating to operating activities

Items	Current year	Prior year
Government grants	3,768,118.00	3,752,212.58
Interests income	1,956,694.06	1,982,696.05
Rent income	31,485,574.48	38,570,610.82
Funds in current account and others	27,866,704.24	23,186,284.36
Total	65,077,090.78	67,491,803.81

6.42.2 Other cash payments relating to operating activities

Items	Current year	Prior year
Penalties and donations paid	5,444.08	12,123.61
Bank charges paid by cash	2,060,643.20	2,456,422.63
Sales expenses and general and administrative expenses paid by cash	137,846,697.24	149,397,847.01
Current accounts and others	24,209,006.64	4,409,323.82
Total	164,121,791.16	156,275,717.07

6.42.3 Other cash received relating to investing activities

Items	Current year	Prior year
To recover the maturity time deposits thatfor purpose to earn interest income in financial institutions	405,296,840.00	1,143,601,932.63
Total	405,296,840.00	1,143,601,932.63

6.42.4 Other cash payments relating to investing activities

Items	Current year	Prior year
Depositsin financial institutionsfor the purpose of earning interest income	336,198,225.80	807,502,932.63
Total	336,198,225.80	807,502,932.63

6.42.5 Other cash received relating to financing activities

Items	Current year	Prior year
Capital absorbed and loan between related parties	4,951,200.00	0.00
Total	4,951,200.00	0.00

6.42.6 Other cash payments relating to financing activities

Items	Current year	Prior year
Capital absorbed and loan between related parties	4,951,200.00	0.00
Total	4,951,200.00	0.00

6.43 Supplementary information to the statement of cash flows

6.43.1 Supplementary information to the statement of cash flows

Items	Current year	Prior year
① Reconciliation of cash flows from operating activities to net profit:		
Net profit	62,950,588.35	44,498,030.35
Add: Loss on asset impairment	37,977,395.81	15,910,353.70
Depreciation of fixed assets, oil and gas assets, biological assets held for production	48,377,955.59	49,145,016.67
Amortisation of intangible assets	1,925,755.09	954,278.35
Amortisation of Long-term deferred expenditure	1,574,365.17	2,711,582.79
Loss on non-current assets disposal (gain presented by "-" prefix)	-313,735.43	1,540,414.73
Loss on scrap of fixed assets (gain presented by "-" prefix)	66,565.75	41,942.78
Loss on fair value changes (gain presented by "-" prefix)	-8,462,500.00	7,116,240.15
Financial costs (gain presented by "-" prefix)	-15,761,795.51	-6,703,972.94
Investment loss (gain presented by "-" prefix)	-2,695,530.06	-16,587,981.27
Decrease of deferred tax assets (increase presented by "-" prefix)	-2,122,436.40	3,729,545.76
Increase of deferred tax liabilities (increase presented by "-" prefix)	518,755.75	-376,261.10
Decrease of inventories (increase presented by "-" prefix)	16,490,012.62	-79,983,093.50
Decrease of operating receivables (increase presented by "-" prefix)	-36,976,858.25	5,777,349.92
Increase of operating payables (decrease presented by "-" prefix)	4,619,381.58	53,059,278.17
Others	0.00	0.00
Net cash flows generated from operating activities	108,167,920.06	80,832,724.56
②Significant investing and financing activities involve no cash:		
Debt-to-capital conversion	0.00	0.00
Convertible loan due within one year	0.00	0.00

Items	Current year	Prior year
Fixed assets acquired under financial lease	0.00	0.00
③**Movement of cash and cash equivalents:**		
Cash as at 31/12/2016	738,195,729.53	675,824,861.29
Less: Cash as at 31/12/2015	675,824,861.29	469,965,448.01
Add: Cash equivalents as at 31/12/2016	0.00	0.00
Less: Cash equivalents as at 31/12/2015	0.00	0.00
Net increase of cash and cash equivalents	62,370,868.24	205,859,413.28

6.43.2 Composition of cash and cash equivalents

Items	Current year	Prior year
①**Cash**	738,195,729.53	675,824,861.29
Including: Cash at hand	703,668.78	675,248.83
Demand bank deposit	737,492,060.75	675,149,612.46
Demand other monetary funds	0.00	0.00
Demand deposit in the Central Bank	0.00	0.00
Deposit in peer firms	0.00	0.00
Loan to peer firms	0.00	0.00
②**Cash equivalents**		
Including: Debt instrument matured within three months	0.00	0.00
③**Cash and cash equivalents as at 31/12/2015**	738,195,729.53	675,824,861.29
Including: restricted cash and cash equivalents in parent company or subsidiary	0.00	0.00

Note1: Cash and cash equivalents excluding restricted cash and cash equivalents in parent company or subsidiary.

Note 2: Time deposits for the purpose of earning interest income in financial institutions is CNY80,400,000.00 at the beginning of current year, listed as the other cash payments relating to investing activities and deducted from the balance of cash and cash equivalents in year 2015.

Note 3 The balance of bank deposits deposited with financial institutions at the end of the year for the purpose of obtaining interest income is RMB 11,301,385.80, and other cash paid in respect of the investment activities in the current period is deducted from the balance of cash and cash equivalents at the end of the year.

6.44 Foreign currency monetary items

6.44.1 Foreign currency monetary items

Items	Original amount as at 31/12/2016	Foreignexchange rate	Translated amount as at 31/12/2016
Monetary funds			
Including: -HKD	80,244.26	0.89451	71,779.29
-USD	51,245,973.58	6.9370	355,493,318.72
-JPY	96,027,266.12	0.059591	5,722,360.82
-EUR	101,469.71	7.3068	741,418.88
-FRF	7.00	6.7989	47.59
-GBP	10,354.60	8.5094	88,111.43
-IDR	5,101,724,864.74	0.000516	2,632,490.03
-HUF	81,016.00	0.023542	1,907.28
-NTD	38,446,844.00	0.215452	8,283,449.43
Total			373,034,883.47
Accounts receivable			
Including: -USD	35,456,172.14	6.9370	245,959,466.14
-JPY	26,609,450.00	0.059591	1,585,683.73
-NTD	100,800.00	0.215452	21,717.56
Total			247,566,867.43
Other receivables			
Including: -USD	21,675.13	6.9370	150,360.38
-JPY	462,290.00	0.059591	27,548.32
-IDR	1,020,940,000.00	0.000516	526,805.04
-NTD	1,331,906.00	0.215452	286,961.81
Total			991,675.55
Accounts payable			
Including: -USD	7,150,228.02	6.9370	49,601,131.77
-EUR	138,089.16	7.3068	1,008,989.87
-HKD	912,275.34	0.8945	816,030.29
-JPY	3,062,400.00	0.059591	182,491.48
-IDR	135,811,437.57	0.000516	70,078.70
-NTD	3,648,849.00	0.215452	786,151.81

Items	Original amount as at 31/12/2016	Foreignexchange rate	Translated amount as at 31/12/2016
Total			52,464,873.92
Other payables			
Including: -USD	172,778.24	6.9370	1,198,562.65
-HKD	140,871.20	0.89451	126,010.70
-JPY	1,584,935.00	0.059591	94,447.86
-EUR	1,000.00	7.3068	7,306.80
-IDR	1,393,941,977.05	0.000516	719,274.06
-NTD	3,803,583.00	0.215452	819,489.56
Total			2,965,091.63

6.44.2 Description of overseas operating entities

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

The Company's holdingsub-subsidiaries companySCPDIlocate at West Java province in Indonesia, due to SCPDI ismostly settled in IDR byusual purchases and sales, so that it adopt the IDR as its functional currency.

The Company's holdingsub-subsidiaries companyTsannkuen Edge Intelligence Co., Ltd.locate at Taiwan, due toTsannkuen Edge Intelligence Co., Ltd. ismostly settled in NTD byusual purchases and sales, so that it adopt the NTD as its functional currency.

The Company's holdingsub-subsidiaries companyEast Sino Development Limitedlocate atHongKong, due to East Sino Development Limitedismostly settled in HKD byusual purchases and sales, so that it adopt the HKD as its functional currency.

The Company's holdingsub-subsidiaries companyOrient Star Investments Limited locate atHongKong, due to Orient Star Investments Limitedismostly settled in USD byusual purchases and sales, so that it adopt the USD as its functional currency.

Note 7: Changes of scope of consolidation financial statements

7.1Business combination under common control

7.1.1Business Combination under Common Control during current year

Name of combined company	Percentage of equity obtained in business combination(%)	Constitute the basis for business combination under the common control	The date of combination	The basis of the combination date
Tsannkuen Edge Intelligence Co., Ltd.	100.00	The common ultimate control	31/3/2016	The date of actual control of the combined party

(Continued)

Name of combined company	The revenue from the beginning of the combination year to the date of combination	The net profit from the beginning of the combination year to the date of combination	The revenue during comparison period	The net profit during comparison period
Tsannkuen Edge Intelligence Co., Ltd.	865,561.28	-2,204,397.97	944,593.51	-2,831,201.32

7.1.2 The cost of combination

The cost of combination	Tsannkuen Edge Intelligence Co., Ltd.
Cash	6,278,499.22

7.1.3 The book value of the assets and liabilities of the combined company on the date of combination

Items	Tsannkuen Edge Intelligence Co., Ltd.	
	The date of combination	Balance as at 31/12/2016
Assets	**6,393,786.55**	**6,666,840.99**
Monetary funds	184,957.53	644,801.49
Monetary funds	284,959.92	558,336.48
Other receivables	751,849.85	123,410.02
Advances to suppliers	98,754.72	42,785.10
Inventories	129,028.23	287,425.11
Other current assets	0.00	169,830.95
Fixed assets	3,941,313.58	3,802,142.41
Construction in progress	0.00	58,974.49
Intangible assets	0.00	404,445.63
Long-term deferred charge	418,380.73	0.00
Deferred tax assets	584,541.99	574,689.31
Liabilities	**5,478,448.23**	**3,599,689.31**
Borrowings	2,202,003.90	0.00
Trade payables	1,123,614.75	2,388,387.64
Employment benefits payable	1,206,397.27	821,407.61
Taxes and fees payable	545.91	2,742.90
Interests payable	1,726.76	0.00
Interests payable	942,823.21	385,837.24

Items	Tsannkuen Edge Intelligence Co., Ltd.	
	The date of combination	Balance as at 31/12/2016
Assets	**6,393,786.55**	**6,666,840.99**
Deferred tax liabilities	1,336.43	1,313.92
Net assets	915,338.32	3,067,151.68
Less: Net profit attributable to minority interests	228,834.58	766,787.92
Net assetsobtained	686,503.74	2,300,363.76

7.2 Changes in the scope of consolidation for other reasons

The Company's holding subsidiaryXiamen Tsannkuen Home Appliance Design Co., Ltd. set up in March 2016. Since the date of set up that Xiamen Tsannkuen Home Appliance Design Co., Ltd. is included in the scope of consolidated financial statements.

The Company's holding sub-subsidiary Pt.StarComgistic Indonesia set up the new sub-subsidiary Pt.StarComgistic Property Development Indonesia in September 2016. Since the date of set up that Pt.StarComgistic Property Development Indonesia is included in the scope of consolidated financial statements.

Note 8: The equity in other main entities

8.1 The equity in subsidiaries

8.1.1 The construction of the group

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Directly	
TsannKuen (Zhangzhou)Enterprise Co., Ltd.(TKL)	Zhangzhou	Zhangzhou	Manufacture home electronic appliance	75.00	75.00	Acquired through establishment
TsannKuen China (Shanghai) Enterprise Co., Ltd. (TKS)	Shanghai	Shanghai	Manufacture home electronic appliance	46.875	62.50	Acquired through business combination under common control
TsannKuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. (TKN)	Zhangzhou	Zhangzhou	Manufacture home electronic appliance	56.25	75.00	Acquired throughestablishment
Shanghai Canxing Trading Co.,Ltd (STD)	Shanghai	Shanghai	Sales of home electronic	56.25	100.00	Acquired through establishment
Xiamen Tsannkuen Home Appliance Design Co., Ltd.	Xiamen	Xiamen	Home appliance design	100.00	100.00	Acquired through establishment

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Directly	
East Sino Development Limited. (East Sino)	Hong Kong	Hong Kong	Investment, Trading	75.00	100.00	Acquired through business combination under common control
Pt.StarComgistic Indonesia. (SCI)	Indonesia	Indonesia	Manufacture home electronic appliance	75.00	100.00	Acquired through business combination under common control
Pt.StarComgistic Property Development Indonesia(SCPDI）	Indonesia	Indonesia	Real estate development	75.00	100.00	Acquired through establishment
Orient Star Investments Limited (OSI)	Hong Kong	Hong Kong	Investment, Trading	75.00	100.00	Acquired through business combination under uncommoncontrol
Tsannkuen Edge Intelligence Co., Ltd.	Taipei	Taipei	Industrial design	75.00	100.00	Acquired through business combination under commoncontrol

8.1.2 Important non-wholly-owned subsidiary

Subsidiaries	Holding proportion of minority shareholders(%)	Profit and loss attributable to minority equity during current year	Dividends attributable to minority shareholders	Total amount of minority equity at the end of current year
TKL	25.00	23,622,969.55	13,824,332.69	319,882,236.17
TKS	53.125	-1,083,315.34	0.00	46,478,896.81
SCI	25.00	-4,713,914.45	0.00	24,830,844.71
TKEI	25.00	-2,272,413.01	0.00	3,593,231.58

8.1.3 The main financial information of important non-wholly-owned subsidiary

Subsidiaries	Balance as at 31/12/2016					
	Current assets	Non-current assets	Total	Current liabilities	Non-current liabilities	Total
TKL	1,624,051,073.12	364,451,512.20	1,988,502,585.32	708,973,640.65	0.00	708,973,640.65
TKS	72,271,032.35	18,580,465.06	90,851,497.41	3,361,809.30	0.00	3,361,809.30
SCI	50,276,296.04	76,114,006.87	126,390,302.91	26,310,784.21	756,139.85	27,066,924.06
TKEI	13,840,007.66	4,808,941.09	18,648,948.75	4,270,700.85	5,321.58	4,276,022.43

(Continued)

Subsidiaries	Balance as at 31/12/2015					
	Current assets	Non-current assets	Total	Current liabilities	Non-current liabilities	Total
TKL	1,764,872,221.80	262,407,959.13	2,027,280,180.93	712,182,173.58	0.00	712,182,173.58
TKS	71,502,200.29	21,284,942.62	92,787,142.91	3,258,272.98	0.00	3,258,272.98
SCI	46,200,836.76	70,963,481.35	117,164,318.11	22,361,305.46	241,391.76	22,602,697.22
TKEI	1,826,589.15	4,840,251.84	6,666,840.99	3,598,375.39	1,313.92	3,599,689.31

(Continued)

Subsidiaries	Total amount during current year			
	Revenues	Net profit	Total amount of comprehensive income	Cash flow relating to operating activities
TKL	1,732,713,975.00	94,491,878.20	0.00	293,337,298.54
TKS	1,435,263.70	-2,039,181.82	0.00	1,633,918.11
SCI	74,066,190.49	-18,855,657.81	0.00	-9,974,519.40
TKEI	1,809,707.95	-9,089,652.03	0.00	-6,893,693.10

(Continued)

Subsidiaries	Total amount during prior year			
	Revenues	Net profit	Total amount of comprehensive income	Cash flow relating to operating activities
TKL	1,882,801,210.22	61,441,478.62	0.00	78,845,329.56
TKS	4,408,786.27	-7,936,695.21	0.00	-1,985,113.94
SCI	75,313,080.64	-9,217,941.00	0.00	-6,807,836.10
TKEI	982,973.57	-2,946,236.71	0.00	-593,043.77

8.2.1 The transactions which change the owner’s equity of subsidiaries, and through the transactions that the owner still control the subsidiaries

The subsidiary of the Company - TKL purchased 62.5% of capital of TKS which are held by the Company, and leading to the proportionofthe shareholding of TKSdecrease to 46.875%.

8.2.2 The impact of the transaction forminority equity and attributable to the parent company of the owner's equity

Items	
Purchase cost consideration	32,500,000.00
Cash	32,500,000.00

Items	
Total	32,500,000.00
Less: the net assets of subsidiary calculated byproportion of equity share	13,809,097.45
Difference	18,690,902.55
Including: Adjustment of the capital reserve	18,690,902.55
Adjustment of the surplus reserve	0.00
Adjustment of the retained earnings	0.00

Note 9: The risk associated with financial instruments

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

9.1 The targets and policies of risks management

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

9.1.1 Market Risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations generally. The company bears the foreign exchange risk primarily concerned with USD, JYP, IDR, EUR, HKD and NTD, in addition to the Company's subsidiary SCI purchases and sales used by USD, SCPDIpurchases and sales used by IDR, TKEI purchases and sales used by NTD,the other main business activities of the Company used by CNY. On 31 December 2016, except the following assets or liabilities are recorded in foreign currency, the others are recorded in CNY. Foreign exchange risk of the assets and liabilities in foreign currencies may have an impact on the Company's performance of operation.

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Monetary funds	373,034,883.47	262,952,307.46
Accounts receivable	247,566,867.43	198,185,374.35
Other receivables	991,675.55	1,074,570.09
Accounts payable	52,464,873.92	51,553,123.03
Other payables	2,965,091.63	2,763,826.54

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

(2) Interest rate risk - the risk of changes in cash flow

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

9.1.2. Credit Risk

That could cause the Company's maximum credit risk of financial losses mainly from the losses of financial assets, which are resulted by the other party of contract fails to fulfill the obligations, as at 31 December 2016.

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

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

9.1.3 Liquidity risk

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

Note 10: Related parties and related party transaction

10.1 Details of the parent

Parents	Relationship	Type of incorporation	Place of registration	Legal representative	Nature of business
STAR COMGISTIC CAPITAL CO.,LTD.	Ultimate holding company	INC	Taiwan	Chen Yanjun	Manufacture and sales electrical equipment

(Continued)

Parents	Registered capital	Shareholding in the Company %	Voting right in the Company %	Ultimate controller of the Company	Organisation code
STAR COMGISTIC CAPITAL CO.,LTD.	NTD3,000,000.00thousand	42.90	44.68	Wu Cankun	28986660

10.2 Subsidiaries

See Note 8.1 "The equity in subsidiaries".

10.3 Details of other related parties

Other related parties	Relationship
Fillman Investment Limited	Shareholder
TsannKuen Japan Co., Ltd.	Same ultimate holding company
Thermaster Electronic (Xiamen) Ltd.	The company directly controlled by the key management and closed family members
Xiamen TsannKuen Trading Co., Ltd.	Same actual controller
PT.ShenMinSukabumi	The company directly controlled by the key management and closed family members
Xiamen Wuhuama Restaurant Management Co., Ltd.	Ultimate holding company have equity
TsannKuen Enterprise Co., Ltd.	Same actual controller
KuaisanElectric Business Services Limited	Same actual controller
Gold mine chain enterprise Co., Ltd	Same actual controller
CanxingWenchuang Co., Ltd	Same actual controller
DaxinEnvironmental Technology Co., Ltd	Same actual controller
Fuji Printing Low Carbon Co., Ltd.	Same actual controller
Yueyi Food & Beverage Co., Ltd	Same actual controller
Rifafang co., Ltd	Same actual controller
Canxing International Travel Service Co., Ltd	Same ultimate holding company

10.4 Transactions with related parties

10.4.1 Transactions through purchase or sell goods and accept or supply services

10.4.1.1 The situation of purchases goods or accepts services

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Thermaster Electronic (Xiamen) Ltd.	Purchase of goods	38,631,228.16	39,403,392.81
TsannKuen Japan Co., Ltd.	Purchase of goods	3,467.98	0.00
TsannKuen Enterprise Co., Ltd.	Purchase of goods	66,903.71	72,057.27
CanxingWenchuang Co., Ltd	Purchase of goods	3,769.51	0.00
DaxinEnvironmental Technology Co., Ltd	Purchase of goods	618.90	0.00
Fuji Printing Low Carbon Co., Ltd.	Purchase of goods	10,850.76	0.00
Yueyi Food & Beverage Co., Ltd	Purchase of goods	7,069.49	0.00
Rifafang co., Ltd	Purchase of goods	4,401.41	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Purchase of goods	27,175.49	3,855,401.94
Total		38,755,485.41	43,330,852.02

10.4.1.2 The situation of sells goods or rendering services

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
STAR COMGISTIC CAPITAL CO., LTD.	Sale of goods	15,583,343.43	15,239,478.55
TsannKuen Japan Co., Ltd.	Sale of goods	0.00	3,169,679.72
Canxing International Travel Service Co., Ltd	Sale of goods	19,659.77	0.00
TsannKuen Enterprise Co., Ltd.	Sale of goods	39,319.54	0.00
Gold mine chain enterprise Co., Ltd	Sale of goods	704,153.48	0.00
Total		16,346,476.22	18,409,158.27

10.4.2 Lease between related parties

10.4.2.1 The Company is as the leasor

Leasee	Classification	Lease rental recognized in current year	Lease rental recognized in prior year
Xiamen Wuhuama Restaurant Management Co., Ltd.	Property	65,520.00	103,600.00
Xiamen TsannKuen Trading Co., Ltd	Property	0.00	850,000.00
Total		65,520.00	953,600.00

10.4.2.2 The Company is as the leasee

Leasee	Classification	Lease rental recognized in current year	Lease rental recognized in prior year
STAR COMGISTIC CAPITAL CO., LTD.	Property	240,224.18	135,862.16
Total		240,224.18	135,862.16

10.4.3 Assets transfer, Debt restructuring between related parties

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Gold mine chain enterprise Co., Ltd	Sell the fixed assets	96,577.95	0.00
Total		96,577.95	0.00
Thermaster Electronic (Xiamen) Ltd.	Purchase of the fixed assets	47,008.55	5,128.21
TsannKuen Enterprise Co., Ltd.	Purchase of the fixed assets	572,763.48	448,836.99
TsannKuen（Xiamen）Trading Co., Ltd.	Purchase of the fixed assets	0.00	2,448,210.14
PT. SHENMIN SUKABUMI	Purchase of the land	0.00	833,976.44
Fillman Investments Limited	Purchase of the shareholding	0.00	294,243.20
Total		619,772.03	4,030,394.98

10.4.4 Other transactions with related parties

Related parties	Contentof transaction	Total amount during current year	Total amount during prior year
Canxing International Travel Service Co., Ltd	Accept service	315,545.34	120,071.01
Kuaisan Electric Business Services Limited	Accept service	34,609.92	0.00
TsannKuen Enterprise Co., Ltd.	Accept service	0.00	31,044.75
STAR COMGISTIC CAPITAL CO., LTD.	Accept service	0.00	8,310.63
TsannKuen Enterprise Co., Ltd.	Accept service	62,673.94	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Money lending	4,951,200.00	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Procurement agency fee	27,808.21	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Purchasing agency fees	0.00	166,330.64
Total		5,391,837.41	325,757.03

10.5 The balance of payables and receivables among related parties

10.5.1 Receivables owed by related parties

Related party	Carrying amount as at 31/12/2016		Carrying amount as at 31/12/2015	
	Carrying amount	Allowance for bad debt	Carrying amount	Allowance for bad debt
Accounts receivable:				
STAR COMGISTIC CAPITAL CO., LTD.	2,658,068.80	0.00	3,768,255.21	0.00
TsannKuen Japan Co., Ltd.	0.00	0.00	364,434.74	0.00
Gold mine chain enterprise Co., Ltd	21,717.29	0.00	0.00	0.00
Total	2,679,786.09	0.00	4,132,689.95	0.00
Other receivables:				
TsannKuen Enterprise Co., Ltd.	17,478.11	0.00	0.00	0.00
STAR COMGISTIC CAPITAL CO., LTD.	201,186.60	0.00	0.00	0.00
Gold mine chain enterprise Co., Ltd	29,347.65	0.00	0.00	0.00
Total	248,012.36	0.00	0.00	0.00

10.5.2 Payables owed to related parties

Related party	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Accounts payable:		
Thermaster Electronic (Xiamen) Ltd.	11,632,531.94	11,011,858.27
TsannKuen Enterprise Co., Ltd.	0.00	150,080.24
Canxing International Travel Service Co., Ltd	0.00	26,743.20
STAR COMGISTIC CAPITAL CO., LTD.	0.00	70,684.69
Total	11,632,531.94	11,259,366.40

Related party	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
Advances from customers:		
STAR COMGISTIC CAPITAL CO., LTD.	0.00	40,749.12
Xiamen Wuhuama Restaurant Management Co., Ltd.	0.00	9,060.00
Total	0.00	49,809.12
Other payables:		
Thermaster Electronic (Xiamen) Ltd.	55,000.00	0.00
Xiamen Wuhuama Restaurant Management Co., Ltd.	23,776.60	48,200.00
TsannKuen Enterprise Co., Ltd.	1,914.91	0.00
STAR COMGISTIC CAPITAL CO., LTD.	15,423.37	20,057.74
Kuaisan Electric Business Services Limited	2,171.23	0.00
TsannKuen Japan Co., Ltd.	0.00	3,476.28
Fillman Investment Limited	0.00	99,435.20
Total	98,286.11	171,169.22

Note 11: Commitments and contingencies

11.1 Important commitments

Irrevocable lease contracts under performance and their financial effects as at the end of current year.

*Unit: CNY ten thousands

Items	Carrying amount as at 31/12/2016	Carrying amount as at 31/12/2015
The minimum lease payments of irrevocable operating lease contracts:		
1st year after the balance sheet date	3,638	3,727
2nd year after the balance sheet date	3,638	3,727
3rd year after the balance sheet date	3,638	3,727
Subsequent years	123,685	126,711
Total	134,599	137,892

11.2 Contingencies

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

TKS submitted the civil action to Shanghai Jiading District People's Courtby cause of action“the lessee SHLX decorated and subleased the leasehold to Shanghai HujiaFruit Sales Limited Company (hereafter, SHHJ) without to obtain the written consent from lessor” on 28 October 2015, and required early termination of the Plant Leasing contract withSHLX, and required SHHJ to terminate constructionand to repristinate the leasehold.

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

Shanghai Jiading District People's Court on the Shanghai TsannKuen and SHLX disputes to make civil judgments ((2015) Jia Min San (Min) ChuziNo.1640) on 23 November 2016: 1) the two sides release the contract on 12 November 2015. 2)SHLX should to returnto TKS of the site and buildings, dormitory, etc on No. 4407CaoAn Road to Shanghai be effective within 20 days.

Shanghai Jiading District People's Court on the Shanghai TsannKuen and SHHJ dispute made ((2015) Jia Min Er (Shang) the ChuZi No.2661) civil judgment on 20 November 2016: the decision to support TKS, andthe SHHJ shall immediately stop the infringement within ten days after the judgment of the court is effective, stop the construction and restore the original appearance of the site.

SHLX and SHHJ are not satisfied with the verdict, and appeal to the Shanghai Second Intermediate People 'sCourt. Shanghai Second Intermediate People's Court made the ruling by (2016) Shanghai 02 MinZhong No. 10426 on 12 January 2017: dismissed the SHLX appeal to maintain the Shanghai Jiading District People's Court on the TKS and SHLX lease contract (2015) Jia Min San (Min) the ChuZi No.1640 civil judgment; as of the date of this report, TKS and SHHJ dispute is under trial.

11.2.2 As MTN Products, Inc. / Water Solutions (Hong Kong) Ltd ("MTN / WSL") did not pay the relevant payment in time and fulfill the order according to the contract, the subsidiary of the Company, TsannKuen (Zhangzhou) Enterprise Co., Ltd. submitted the indictment to the SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES on November 232017 sued MTN / WSL for payment of USD707,522.92 and USD1,402,940 for reserve losses, totaling USD2,110,462.92. As of the date of this report, the case is still pending.

11.2.3 As Philips Lighting (China) Investment Co., Ltd. ("Philips Lighting") did not pay the relevant payment in accordance with the relevant agreement, the Company's subsidiary TsannKuen (Zhangzhou) Enterprise Co., Ltd., submitted the indictment on 23 November 2016 to Longhai City People's Court, request the payment of CNY2,499,658.4. As of the date of this report, the case is still pending.

11.2.4TSANN KUEN (CHINA) ENTERPRISE CO., LTD. (therefore "TKC") and Tian Yuan (Xiamen) Asset Management Co., Ltd. (therefore "Tianyuan") signed the "Land Lease Contract (Northwest Corner)" and“Housing

Lease Contract (North Building) "on 26 June 2013, signed the "LandLease Contract (southeast corner) ","Housing Lease Contract (Huarong Road 23) "(part of the house) on 29 July 2013. TKCleased the part of the land and house on Xinglong Road 88 to Tianyuan for business activities, part of the site and housing leased to Tian Yuan company for business activities.

As Tianyuan did not pay the rent in accordance with the contract in time and unauthorized use of the leased property, TKC filed a lawsuit in Xiamen Huli District People's Court to pay the relevant rent. As of the date of this report, the case is still pending.

Note 12: Post reporting date events

The Company held the second meeting of Board of Directors of 2017 on 12 March 2017that approved profit distribution plan for the year of 2016, to provide to all shareholder for every 10 shares distributed cash CNY1.20 (including tax) based on total of 185,391,680.00 shares as at the end of 2016, and the distribution profit amounting to CNY22,247,001.60. The profit distribution plan is pending resolution by the shareholders' meeting.

Note 13: Notes to the main elements of the separate financial statement of the Company

13.1Accounts receivable

13.1.1 Disclosure by classification

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	31,635,877.38	100.00	1,551,245.00	4.90	30,084,632.38
Portfolio by age	30,918,276.22	97.73	1,551,245.00	5.02	29,367,031.22
Portfolio by related parties	717,601.16	2.27	0.00	0.00	717,601.16
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	31,635,877.38	100.00	1,551,245.00	4.90	30,084,632.38

(Continued)

Items	Balance as at 31/12/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	24,125,556.65	100.00	128,400.47	0.53	23,997,156.18
Portfolio by age	23,013,044.53	95.39	128,400.47	0.56	22,884,644.06
Portfolio by related parties	1,112,512.12	4.61	0.00	0.00	1,112,512.12
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	24,125,556.65	100.00	128,400.47	0.53	23,997,156.18

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

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	30,913,276.22	1,546,245.00	5.00
Include：1 to 90 days	15,789,117.04	0.00	0.00
91 to 180 days	14,955,249.69	1,495,524.97	10.00
181 to 270 days	168,673.59	50,602.08	30.00
271 to 365 days	235.90	117.95	50.00
1 to 2 years	5,000.00	5,000.00	100.00
Total	30,918,276.22	1,551,245.00	5.02

13.1.1.2 Accounts receivable using the related party method for measurement of allowance for bad debt

Related parties	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Related parties	717,601.16	0.00	0.00
Total	717,601.16	0.00	0.00

13.1.2 Recognisation, recovery and reversal of allowance for bad debt

Recovery and reversal of allowance for bad debts is CNY1,422,844.53 during current year.

13.1.3 Accounts receivable written off during the current year

Items	Total amount of written off
Accounts receivable written off during the current year	0.00

13.1.4 Details of top five accounts receivable

The total amount of top five accounts receivables which are summarized by the balance as at the end of current year is CNY30,791,667.35, accounting for the proportion of the total accounts receivable balance as at the end of current year is 97.33%, the total amount of corresponding allowance for bad debts is CNY1,546,004.17.

13.2 Other receivable

13.2.1 Disclosure by classification

Items	Balance as at 31/21/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other receivable portfolio subject to impairment by credit risk:	0.00	0.00	0.00	0.00	0.00
Portfolio by age	285,736.39	47.85	57,470.55	20.11	228,265.84
Portfolio by related parties	45,418.39	7.61	0.00	0.00	45,418.39
Subtotal	331,154.78	55.46	57,470.55	17.35	273,684.23
Other receivable of individually insignificance subject to individually assessment for impairment	266,000.00	44.54	0.00	0.00	266,000.00
Total	597,154.78	100.00	57,470.55	9.62	539,684.23

(Continued)

Items	Balance as at 31/21/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Other receivable portfolio subject to impairment by credit risk:	0.00	0.00	0.00	0.00	0.00

Items	Balance as at 31/21/2015				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Portfolio by age	495,720.01	16.19	50,715.73	10.23	445,004.28
Portfolio by related parties	2,339,840.30	76.43	0.00	0.00	2,339,840.30
Subtotal	2,835,560.31	92.62	50,715.73	1.79	2,784,844.58
Other receivable of individually insignificance subject to individually assessment for impairment	226,000.00	7.38	0.00	0.00	226,000.00
Total	3,061,560.31	100.00	50,715.73	1.66	3,010,844.58

13.2.1.1 Other receivables using the age analysis method for measurement of allowance for bad debt

Age	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	231,252.29	2,986.45	1.29
Include：1 to 90 days	218,587.79	0.00	0.00
91 to 180 days	8,364.50	836.45	10.00
181 to 270 days	0.00	0.00	0.00
271 to 365 days	4,300.00	2,150.00	50.00
1 to 2 years	54,484.10	54,484.10	100.00
Total	285,736.39	57,470.55	20.11

13.2.1.2 Other receivables using the related party method for measurement of allowance for bad debt

Related parties	Balance as at 31/12/2016		
	Carrying amount	Allowance for bad debt	% of total
Related parties	45,418.39	0.00	0.00
Total	45,418.39	0.00	0.00

13.2.2 Recognition, recovery and reversal of allowance for bad debt

Recognition of allowance for bad debts is CNY6,754.82 during current year. There is no recovery and reversal of allowance for bad debts during current year.

13.3 Long-term equity investments

13.3.1 Disclosure by classification

Items	Carrying amount as at 31/12/2016			Carrying amount as at 31/12/2015		
	Carrying amount	allowance for bad debts	Net carrying amount	Carrying amount	allowance for bad debts	Net carrying amount
Invest to subsidiaries	922,914,701.56	0.00	922,914,701.56	1,116,460,573.74	130,646,542.91	985,814,030.83
Total	922,914,701.56	0.00	922,914,701.56	1,116,460,573.74	130,646,542.91	985,814,030.83

13.3.2 Investment for subsidiaries

Items	Carrying amount as at 31/12/2015	Increase during current year	Decrease during current year	Carrying amount as at 31/12/2016	Impairment allowance	Carrying amount of impairment allowance as at 31/12/2016
TKS	194,545,872.18	0.00	194,545,872.18	0.00	0.00	0.00
TKL	921,914,701.56	0.00	0.00	921,914,701.56	0.00	0.00
TKCD	0.00	1,000,000.00	0.00	1,000,000.00	0.00	0.00
Total	1,116,460,573.74	1,000,000.00	194,545,872.18	922,914,701.56	0.00	0.00

13.4 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Revenue from principal operating activities	102,569,449.17	93,314,651.78	108,045,715.72	97,049,568.97
Revenue from other operating activities	18,209,021.52	2,335,534.46	19,809,138.12	4,368,557.00
Total operating revenue	120,778,470.69	95,650,186.24	127,854,853.84	101,418,125.97

13.5 Investment income

Items	Current year	Prior year
Disposal of long-term equity investment generated investment income	66,100,670.73	0.00
Long-term equity investment income under cost method	41,481,472.07	28,286,287.22
Total	107,582,142.80	28,286,287.22

Note 14: Supplementary information

14.1 Extraordinary gains or losses for current year

Supplemental information	Total amount	Explanation
Gains or losses arising from disposal of non-current assets	247,169.68	
Tax repayments or waiving of taxes not officially authorized or not with proper authorization	0.00	
Government grants accounted for through profit or loss for the current reporting period (excl. grants directly associated with the Company’s operations and subject to national quotas)	3,768,118.00	
Cost of monetary funds charged on non-financial institutions accounted for through profit or loss for the current reporting period	0.00	
Gains from the investment costs paid less than the acquirer’s interest in the fair value of the bargainor’s identifiable net assets(During acquire subsidiary、 joint venture and associates)	0.00	
Gains or losses arising from non-monetary assets exchange	0.00	
Gains or losses arising from entrusted assets and investments	0.00	
Impairment allowances arising from force majeure, such as natural disasters	0.00	
Gain or loss arising from debt restructuring	0.00	
Restructuring expenses, such as employee settlement and relocation costs and costs of integration	0.00	
Gains or losses arising from transactions of which the prices are deemed unfair (the difference between the price and the fair value)	0.00	
Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the current reporting period to the combination dates.	-2,204,397.97	
Gains or losses arising from contingent events not associated with the Company’s operating activities	0.00	
Gains or losses arising from changes in the fair values of financial instruments held for trading (excl. effective hedging instruments associated with the Company’s operating activities) or disposal of financial instruments held for trading and available-for-sale financial assets (excl. effective hedging instruments associated with the Company’s operating activities)	11,149,556.06	
Recovery of impairment allowance for receivables subject to individual assessment for impairment	0.00	
Gains or losses arising from entrusted borrowings	0.00	
Gains or losses arising from changes in the fair values of investment property measured at fair value	0.00	
Impact of one-off adjustment required by tax laws, accounting standards and relevant	0.00	

Supplemental information	Total amount	Explanation
regulations on the profit or loss for the current reporting period		
Revenue arising from entrusted operation	0.00	
Other non-operating revenue and non-operating expenses not listed above	5,384,216.91	
Other gains or losses satisfying the definition of extraordinary gains or losses	0.00	
Subtotal	18,344,662.68	
Less: Effect of corporate income tax	2,724,991.75	
Less: Net amount attributable to minority interests (after tax)	3,846,462.74	
Total	11,773,208.19	

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

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

14.2 Yield Rate of Net Assets and Earnings Per Share

Profits for the reporting period	Weightedaverage yield rate of net assets%	Earnings Per Share(Yuan per share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders	7.95	0.26	0.26
Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses)	6.01	0.20	0.20