

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.
2017 ANNUAL REPORT

March 2018

Section I. Important Statements, Contents & Terms

The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Tsann Kuen (China) Enterprise Co., Ltd. (hereinafter referred to as “the Company”) warrant that this Report is factual, accurate and complete without any false 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 RMB0.8 (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.

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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	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, West Tower of China Overseas Property Plaza, Building 7, NO.8,Yongdingmen Xibinhe Road, Dongcheng District, Beijing
Signing accountants	Lin Wanqiang, 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?

☐ Yes ☒ No

Unit: RMB Yuan

Item	2017	2016	Increase/decrease of current year over last year (%)	2015
Operating revenue	1,872,746,942.25	1,813,281,222.42	3.28	1,968,748,594.29
Net profit attributable to shareholders of the Company	26,077,139.64	48,229,497.36	-45.93	34,658,898.51
Net profit attributable to shareholders of the Company before extraordinary gains and losses	6,817,000.41	36,456,289.17	-81.30	25,165,251.73
Net cash flows from operating activities	69,715,253.63	108,167,920.06	-35.55	80,832,724.56
Basic EPS (RMB Yuan/share)	0.14	0.26	-46.15	0.19
Diluted EPS (RMB Yuan/share)	0.14	0.26	-46.15	0.19
Weighted average ROE (%)	4.29	7.95	-3.66	5.93
Item	As at 31 Dec. 2017	As at 31 Dec. 2016	Increase/decrease of current year-end than last year-end (%)	As at 31 Dec. 2015
Total assets	1,778,825,153.51	1,697,533,004.99	4.79	1,662,146,220.18
Net assets attributable to shareholders of the Company	610,814,327.77	610,856,271.31	-0.01	562,029,107.73

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)	0.14

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

No difference in the Reporting Period.

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

☐ Applicable ☒ Inapplicable

No difference in the Reporting Period.

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	454,378,577.36	415,305,181.32	548,983,805.26	454,079,378.31
Net profit attributable to shareholders of the Company	6,800,900.65	4,265,673.46	4,975,244.01	10,035,321.52
Net profit attributable to shareholders of the Company before extraordinary gains and losses	5,620,130.15	1,183,542.91	-472,110.13	485,437.48
Net cash flows from operating activities	3,169,455.03	-60,680,750.99	26,106,716.46	101,119,833.13

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	2017	2016	2015	Note
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	773,823.55	313,735.43	1,498,471.95	
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	8,059,426.16	3,768,118.00	3,752,212.58	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses				
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments				
Gain/loss on non-monetary asset swap				
Gain/loss on entrusting others with investments or asset management				
Asset impairment provisions due to acts of God such as natural disasters				
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	
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	23,997,400.35	11,149,556.06	9,471,741.12	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				

Item	2017	2016	2015	Note
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	-2,584,301.97	5,317,651.16	2,855,340.21	
Other gain and loss items that meet the definition of an extraordinary gain/loss				
Less: Income tax effects	4,487,149.14	2,724,991.75	2,131,878.69	
Minority interests effects (after tax)	6,499,059.72	3,846,462.74	3,120,564.58	
Total	19,260,139.23	11,773,208.19	9,493,646.78	

Section III. Business Highlights

I. Main business during the reporting period

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

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

II. Material changes in main assets

1. Material changes in main assets

Main assets	Material change
Financial assets at fair value through gains/losses	Up 100% from the opening amount of the year, mainly because of assessed gains on forward forex contracts
Notes receivable	Down 100% from the opening amount of the year, mainly because notes receivable were down to zero at the end of the period
Prepayments	Up 57.07% from the opening amount of the year, mainly because of increased prepayment for aluminum ingots
Interest receivable	Down 100% from the opening amount of the year, mainly because term deposits used to generate interest income were down to zero at the end of the period
Other current assets	Up 196.45% from the opening amount of the year, mainly because of increased wealth management products
Equity assets	No such assets
Fixed assets	No material change
Construction in progress	Up 663.86% from the opening amount of the year, mainly because site preparation and house repair work had not yet been examined for acceptance
Intangible assets	No material change
Deferred income tax assets	Up 32.61% from the opening amount of the year, mainly because of recognized deferred income tax assets on investment loss on the Company's move to sell its equity interests in TKS to TKL
Other non-current assets	Up 1599.69% from the opening amount of the year, mainly because of increased prepayment for equipment

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	134,599,423.07	Indonesia	Normal	Periodic review	-7,141,839.01	22.04	No
Tsannkuen Edge Intelligence Co., Ltd.	Equity acquisition	9,540,228.32	Taiwan	Normal	Periodic review	-12,162,192.24	1.56	No
Other information	N/A							

III. Core competitiveness analysis

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

No.

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

In the reporting period, we obtained 114 patents in R&D, including 26 invention patents, 3 innovation patents and 85 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 sub-subsubsidiary, owns the Arduino open control platform technology, which will be a great help in our medium and long-term strategy for IOT (Internet of Things), ICT (Information and Communication Tech) and AI (Artificial Intelligence). We always focus on R&D and human resources as the main driving forces for development, just as we always focus on integrated design as a primary means of developing everyday appliances for customers. As the world embraces smart appliances, we will increase our investment in R&D, improve our design system covering Mainland China and Taiwan to promote synergies, and join strong business alliances in the two regions to upgrade our management on smart appliances.

Section IV. Performance Discussion & Analysis

I. Business review for reporting period

For the reporting period, we achieved operating revenues of RMB1.872 billion, up 3.28% over RMB1.813 billion of last year, and net profit of RMB26 million, down 45.93% over RMB48 million of last year. The net profit decreased mainly because of the rising cost of raw materials and the decreased foreign exchange gains.

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 to deal with competition, we aim to provide products with multi-functions, high added value and high quality for customers.

As the smart control technology grows more mature and is being used more widely and people’s living standards are improving, they are looking for better home appliances, which makes the rapid development of smart appliances a must. Consumers are no longer looking for merely the functions of the appliances, but also a quality

in the appliances to improve their living standards. The household appliance industry is all about how to help people live a better life. Only by providing convenient, smart, health-improving and delicious-food-cooking products, can a household appliance manufacture keeps on developing.

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 creating more cost efficiency, we create market demand by developing smart-home and low-carbon products, which effectively expands our market share and strengthens our profitability.

2. Revenues and costs

(1) Breakdown of operating revenues

Unit: RMB Yuan

Unit: RMB Yuan

Item	2017		2016		+/-%
	Amount	In total operating revenues (%)	Amount	In total operating revenues (%)	
By segments					
Small home appliance manufacturing	1,809,802,201.43	96.64	1,756,523,175.58	96.87	3.03
Other services	62,944,740.82	3.36	56,758,046.84	3.13	10.90
Total	1,872,746,942.25	100.00	1,813,281,222.42	100.00	3.28
By products					
Cooking utensils	1,161,125,429.84	62.00	1,170,980,668.15	64.58	-0.84
Everyday home appliances	461,813,961.36	24.66	389,534,553.10	21.48	18.56
Tea and coffee makers	176,410,642.73	9.42	185,543,854.30	10.23	-4.92
Other products	10,452,167.50	0.56	10,464,100.03	0.58	-0.11
Other services	62,944,740.82	3.36	56,758,046.84	3.13	10.90
Total	1,872,746,942.25	100.00	1,813,281,222.42	100.00	3.28
By areas					
Australia	101,639,152.71	5.43	103,477,102.39	5.71	-1.78
Africa	19,130,388.79	1.02	13,773,237.72	0.76	38.90
America	719,844,144.74	38.44	729,919,780.40	40.25	-1.38
Europe	553,273,795.67	29.54	465,703,470.88	25.68	18.80
Asia	478,859,460.34	25.57	500,407,631.03	27.60	-4.31
Total	1,872,746,942.25	100.00	1,813,281,222.42	100.00	3.28

(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 manufacturing	1,809,802,201.43	1,569,714,013.29	13.27	3.03	7.08	-3.27
Other services	62,944,740.82	34,607,522.09	45.02	10.90	18.77	-3.64
Total	1,872,746,942.25	1,604,321,535.38	14.33	3.28	7.31	-3.22
By products						
Cooking utensils	1,161,125,429.84	997,633,196.79	14.08	-0.84	3.50	-3.61
Everyday home appliances	461,813,961.36	415,750,737.97	9.97	18.56	20.29	-1.30
Tea and Coffee makers	176,410,642.73	148,738,310.04	15.69	-4.92	-1.25	-3.13
Other products	10,452,167.50	7,591,768.49	27.37	-0.11	29.90	-16.78
Other services	62,944,740.82	34,607,522.09	45.02	10.90	18.77	-3.64
Total	1,872,746,942.25	1,604,321,535.38	14.33	3.28	7.31	-3.22
By areas						
Australia	101,639,152.71	83,665,542.87	17.68	-1.78	0.80	-2.11
Africa	19,130,388.79	15,797,378.56	17.42	38.90	39.33	-0.26
America	719,844,144.74	641,758,924.89	10.85	-1.38	3.26	-4.00
Europe	553,273,795.67	483,241,649.98	12.66	18.80	25.09	-4.39
Asia	478,859,460.34	379,858,039.08	20.67	-4.31	-3.33	-0.81
Total	1,872,746,942.25	1,604,321,535.38	14.33	3.28	7.31	-3.22

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

☒ Yes ☐ No

Unit: Unit

Industry	Item	2017	2016	YoY +/-%
Small home appliance manufacturing	Sales volume	17,075,853	20,590,331	-17.07
	Output	16,776,964	20,347,115	-17.55
	Stock	970,972	1,269,861	-23.54

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

Unit: RMB Yuan

Item	2017		2016		+/-%
	Amount	In total operating costs (%)	Amount	In total operating costs (%)	
By segments					
Small home appliance manufacturing	1,569,714,013.29	97.84	1,465,963,830.11	98.05	7.08
Others	34,607,522.09	2.16	29,137,307.15	1.95	18.77
Total	1,604,321,535.38	100.00	1,495,101,137.26	100.00	7.31
By products					
Cooking utensils	997,633,196.79	62.19	963,867,693.01	64.47	3.50
Everyday home appliances	415,750,737.97	25.91	345,624,878.77	23.12	20.29
Tea and Coffee makers	148,738,310.04	9.27	150,627,128.90	10.07	-1.25
Other products	7,591,768.49	0.47	5,844,129.43	0.39	29.90
Other services	34,607,522.09	2.16	29,137,307.15	1.95	18.77
Total	1,604,321,535.38	100.00	1,495,101,137.26	100.00	7.31

(6) Whether there were changes of the consolidation scope during the reporting period☐ Yes ☒ No**(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 of the top 5 customers	987,058,142.55
Ratio of the total sales of the top 5 customers to the annual total sales (%)	52.71
Ratio of the total sales of 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	266,021,859.99	14.21
2	No. 2	239,743,976.80	12.80
3	No. 3	167,075,523.99	8.92
4	No. 4	164,693,710.72	8.80
5	No. 5	149,523,071.05	7.98
Total		987,058,142.55	52.71

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	235,742,881.63
Ratio of the total purchase from the top 5 suppliers to the annual total purchase (%)	17.60
Ratio of the total purchase from related parties among the top 5 suppliers to the annual total purchase (%)	2.77

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	65,209,325.20	4.87
2	No. 2	53,402,299.03	3.99
3	No. 3	51,484,124.15	3.84
4	No. 4	37,057,634.04	2.77
5	No. 5	28,589,499.21	2.13
Total		235,742,881.63	17.60

Notes of the other situation of the major suppliers

☐ Applicable ☒ Inapplicable

3. Expenses

Unit: RMB Yuan

Item	2017	2016	YoY +/- (%)	Notes of the significant changes
Taxes and surtaxes	11,269,791.37	11,297,603.16	-0.25	
Selling expenses	69,553,841.59	86,990,340.73	-20.04	
Administrative expenses	156,621,043.08	157,298,660.12	-0.43	
Finance costs	22,622,958.63	-31,511,102.68	-171.79	Mainly due to the losses on the current unimplemented exchange evaluation.
Asset impairment losses	10,915,961.18	37,977,395.81	-71.26	Increased inventory falling price losses due to product disputes in the same period of last year and increased provisions against fixed assets showing impairment signs due to the shutdown of outdated production lines
Gains on fair value changes	3,925,850.00	8,462,500.00	-53.61	Mainly due to the decrease of the evaluation income on the current forward exchange's contract.
Investment gains	20,071,550.35	2,695,530.06	644.62	Mainly due to the increase of the delivered forward forex and financing income.
Assets disposal income	773,823.55	313,735.43	146.65	Mainly due to the increase of fixed assets' disposal income
Other income	2,809,085.33	0.00	100.00	Government subsidy in original non-business income is changed into other income for the changes of accounting standards.
Non-business income	8,923,887.76	9,382,706.53	-4.89	
Non-business expenses	6,257,848.90	296,937.37	2,007.46	Mainly due to the increase of assets scrap disposals for the policy relocation of sub-subsidiary Shanghai Tsann Kuen
Income tax expenses	-1,418,431.98	13,734,134.32	-110.33	Mainly due to the decreased profits and recognition of deferred income tax assets.

4. R&D investment

√ Applicable □ Inapplicable

Program in 2017	Purpose	Progress	Target
Smart grill	Smart control and detecting	Functional prototype completed	To introduce into mass production
Grind & brew dry and wet coffee bean separation system	To create a proprietary innovative system to reserve the flavor of coffee	Functional prototype completed	To introduce into mass production
Smart blending	Smart control and detecting	Functional prototype completed	To introduce into mass production
IDEAL TEMP	A smart ironing system to avoid scorches	Introduced into mass production	To introduce into mass production

R&D investment of the Company

Item	2017	2016	+/- (%)
Number of the R&D personnel (person)	438	409	7.09
Ratio to the R&D personnel (%)	10.45	9.41	1.04
Investment amount of the R&D (RMB Yuan)	71,125,828.45	68,602,455.27	3.68
Ratio of the R&D investment to the operating income (%)	3.80	3.78	0.02
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	2017	2016	+/- (%)
Subtotal of cash inflows from operating activities	2,129,387,414.15	2,002,208,537.18	6.35
Subtotal of cash outflows from operating activities	2,059,672,160.52	1,894,040,617.12	8.74
Net cash flows from operating activities	69,715,253.63	108,167,920.06	-35.55
Subtotal of cash inflows from investing activities	1,182,422,205.04	659,043,690.31	79.41
Subtotal of cash outflows from investing activities	1,389,159,886.10	687,363,516.35	102.10
Net cash flows from investing activities	-206,737,681.06	-28,319,826.04	630.01
Subtotal of cash inflows from financing activities	225,281,982.59	120,059,991.37	87.64
Subtotal of cash outflows from financing activities	243,470,305.41	157,869,056.57	54.22
Net cash flows from financing activities	-18,188,322.82	-37,809,065.20	51.89
Net increase in cash and cash equivalents	-173,813,768.65	62,370,868.24	-378.68

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

√ Applicable □ Inapplicable

1. Net cash flows from operating activities decreased 35.55% from last year mainly due to the decreased profits and corporate income tax for 2016.
2. Net cash flows from investing activities decreased 630.01% from last year mainly due to the increase of the current financial products.
3. Net cash flows from financing activities decreased 51.89% from last year mainly due to the increased borrowings.

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

√ Applicable □ Inapplicable

Mainly due to the long period for account receivables and the corporate income tax for 2016.

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	20,071,550.35	72.49	Gains on wealth management products and evaluation income on delivered forward forex contracts	Yes
Gains/losses on fair value changes	3,925,850.00	14.18	Evaluation income on undelivered forward exchange of investment derivative in the Reporting Period	Yes
Asset impairment losses	10,915,961.18	39.42	Inventory falling price loss	Yes
Assets disposal income	773,823.55	2.79	Fixed assets' disposal income	Yes
Other income	2,809,085.33	10.15	Government subsidy	Yes
Non-business income	8,923,887.76	32.23	Subsidy of assets disposals for the policy relocation of sub-subsidiary Shanghai Tsann Kuen	Yes
Non-business expenses	6,257,848.90	22.60	Losses of assets disposals for the policy relocation of sub-subsidiary Shanghai Tsann Kuen	Yes

IV. Assets and liabilities

1. Significant changes in asset composition

Unit: RMB Yuan

Item	December 31, 2017		December 31, 2016		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	564,381,960.88	31.73	749,497,115.33	44.15	-12.42	No
Accounts receivable	270,052,420.89	15.18	273,086,616.38	16.09	-0.91	No
Inventories	195,711,505.29	11.00	223,569,121.90	13.17	-2.17	No
Investment property	32,125,408.51	1.81	42,158,120.51	2.48	-0.67	No
Fixed assets	173,361,312.05	9.75	174,529,010.36	10.28	-0.53	No
Construction in progress	2,059,623.18	0.12	269,633.08	0.02	0.10	No
Short-term borrowings	10,832,951.89	0.61	0.00	0.00	0.61	No

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	3,925,850.00	0.00	0.00	777,996,100.00	591,368,200.00	3,925,850.00
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	3,925,850.00	0.00	0.00	777,996,100.00	591,368,200.00	3,965,850.00
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	3,925,850.00	0.00	0.00	777,996,100.00	591,368,200.00	3,965,850.00
Financial liabilities	0.00	0.00	0.00	0.00	36,874,250.00	36,874,250.00	0.00

Any significant changes in the major assets' measurement attributes of the Company in the Reporting Period?

□ Yes √ No

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	+/-%
10,977,497.80	44,218,576.00	-75.17

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	Pursued 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	81,487.04	01/01/2017	12/31/2017	0.00	81,487.04	62,824.25		18,662.79	0.31	1,183.80
Total				81,487.04			0.00	81,487.04	62,824.25		18,662.79	0.31	1,183.80
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				03/12/2013									
Disclosure date of the announcement about the general meeting's consent for the investment				05/18/2013									
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.)				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.
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)	(1) Gains on delivered derivatives in the Reporting Period were RMB7.9122 million, and assessed gains on those undelivered were RMB3.9258 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.
Significant changes in the Company's accounting policies and specific accounting principles for derivatives in this reporting period as compared to the prior period	No significant changes
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company has carried out a strict internal assessment for the financial derivative business and has established a corresponding supervision mechanism. We are of the opinion that the financial derivative business conducted by the Company is fairly necessary in its routine operation and is in compliance with relevant laws and regulations, with the risks controllable.

5. Use of funds raised

☐ Applicable ☒ Inapplicable

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

√ Applicable □ Inapplicable

Main subsidiaries and joint stock companies with over 10% effect on the Company's net profit

Unit: RMB Yuan

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Subsidiary	Small home appliance manufacturing	USD160 million	1,965,825,832.36	1,288,815,359.66	1,758,251,614.69	54,096,048.52	49,700,082.70
Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Subsidiary	Small home appliance manufacturing	USD40 million	192,573,040.50	80,864,929.35	889,026.45	-6,848,049.16	-6,624,758.76
Pt.Star Comgistic Indonesia	Subsidiary	Small home appliance manufacturing	USD30 million	134,599,423.07	86,635,145.69	122,351,454.31	-6,677,483.95	-7,141,839.01
Tsannkuen Edge Intelligence Co., Ltd.	Subsidiary	Products R&D and design	NTD200 million	9,540,228.32	2,685,052.81	9,813,541.51	-12,185,931.95	-12,162,192.24

Subsidiaries obtained or disposed in this reporting period

□ Applicable √ Inapplicable

VIII. Structured bodies controlled by the Company

□ Applicable √ Inapplicable

IX. Outlook of the Company's future development

(I) Strategies for future development

1. Strategy of domestic market development

Owing 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 green energy saving. Strengthen the China brand strategy.

With the core of innovation and years of R&D achievements, the Company possesses the world's largest R&D team. Two main series of EUPA brand will be launched: the first one is the professional black series of small western appliances. This market-challenging innovation small appliance with innovative technology and intelligent manufacturing process will bring real experience of new wisdom of home life to consumers through the use of big data and IOT (Internet of Things) links. The other one is the cost-effective user-friendly yellow series focusing on experiences of fast, convenient, high-quality products, which will bring consumers cooking passions and happiness.

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. Lead of innovation, upgrade of refined and smart manufacture

Manufacture will be service-oriented to create value to serve consumers, promote new management models for plants and regions, and focus on professional services, thus to win satisfactions of customers and consumers. At the same time, strategic partnerships in the supply chain will be built and advanced automation equipment will be introduced. More important, a manufacturing management information system will be introduced based on big data and the Internet of Things.

4. Strengthen of overseas manufacturing deployment and enhancement of manufacturing competitiveness

In view of the rapid growth of emerging market economies and the rise of the peripheral economies in Southeast Asia, the Company is accelerating the integration of its supply chain through the cost advantages of its overseas production bases, laying an overseas manufacturing base in Indonesia and a new field for transformation. This police is highly integrated with the "One Belt, One Road" strategic area, taking the lead in seizing opportunities for overseas market development and deepening international operations. In the future, the Company will continue to actively expand overseas markets, focus on key international regions, products and resources so as to achieve greater and stronger growth.

(II) 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 2018 has the following features:

1. 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 2018, 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.
2. 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.
3. 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.
4. 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, considerably 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.
5. 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.
6. 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.

(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 2018.

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

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

Y2018 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.

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, to expand the domestic business to balance the fluctuation of foreign trade's exchange rate.

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 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
02/14/2017	By phone	Individual	Inquiry about B-share reform of the Company
03/29/2017	By phone	Individual	Inquiry about B-share reform of the Company
04/27/2017	By phone	Individual	Inquiry about B-share reform and the operation of the Company
05/09/2017	By phone	Individual	Inquiry about the annual time allocation and B-share reform of the Company
06/07/2017	By phone	Individual	Inquiry about B-share reform of the Company
09/22/2017	By phone	Individual	Inquiry about B-share reform of the Company
10/30/2017	By phone	Individual	Inquiry about the performance of the Company
11/23/2017	By phone	Individual	Inquiry about the operation of the Company
11/30/2017	By phone	Individual	Inquiry about the operation of the Company

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

Times of visit	9
Number of visiting institutions	0
Number of visiting individuals	9
Number of other visitors	0
Significant undisclosed information disclosed, revealed or leaked	No

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

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 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 distributed a cash dividend of RMB1.2 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital. For 2017, the Company intended to distribute a cash dividend of RMB0.8 (tax included) for every 10 shares held by its shareholders, and the estimated distributable profits of the Company was RMB14,831,334.40 with the retained profits of RMB140,769,001.10 for carry-forward to the next year. There was no turn from capital reserve to share capital for the year.

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
2017	14,831,334.40	26,077,139.64	56.87%	0.00	0.00%
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%

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)	0.8
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)	14,831,334.40
Distributable profit (RMB Yuan)	155,600,335.50
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 2017, the Company intended to distribute a cash dividend of RMB0.8 (tax included) for every 10 shares held by its shareholders, and the estimated distributable profits of the Company was RMB14,831,334.40 (tax included) with the retained profits of RMB140,769,001.10 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	Commitment on shareholding increase	Based on the confidence on the continuous and stable development of the	12/28/2012	Within one year since	The Company's stocks resumed

	LIMITED		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 within 12 months, and the stock price has also reached the target price, it will perform relevant approval procedures, and propose to CSRC on continuous implementation of shareholding increase by exemption of offering.		the date of initial share holding increase	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					

During the Reporting Period, there were no 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.

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

Changes in accounting policies

① Changes in accounting policies due to the implementation of the new Accounting Standards for Business Enterprises

The Ministry of Finance issued CAS 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations, with “CaiKui [2017] No.13” on 28 April 2017, effective on 28 May, 2017. The Ministry of Finance issued the revised CAS 16 - Government Subsidies (2017) with “CaiKui [2017] No.15” on 10 May, 2017, effective on 12 June 2017. The Company started to implement the aforesaid two accounting standards in accordance with the time required by the Ministry of Finance.

“CAS 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations”, regulates the classification, measurement and presentation of non-current assets or disposal group held for sale, as well as the presentation of discontinued operation. The financial statements of the comparable period and notes to the financial statements for the discontinued operation existed on 28 May 2017 has been adjusted in accordance with the standard.

Before implementing the revised “CAS 16 - Government Subsidies (2017)”, the Company recognised government subsidies in non-operating income, government subsidies related to assets would be recognised as deferred income and amortized into profit and loss in average during the useful life, within the useful life of the assets.

After the implementation of the revised “CAS 16 - Government Subsidies (2017)”, government subsidies related to daily activities incurred after 1 January 2017 are included in other income, those not related to daily activities are included in non-operating income and expense.

The Company's first Meeting of the Board of Directors and first meeting of the Board of Supervisors in 2018 held on 17 March 2018 reviewed and approved the Proposal for Changes in Accounting Policies. Independent directors and supervisors of the Company expressed independent opinions which consent the proposal.

② The main effects of the Company's implementation of the above standards are as follows:

Unit: RMB Yuan

No	Contents and Reasons of Changes in Accounting Policies	Affected line item and amounts in the statements
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No	Contents and Reasons of Changes in Accounting Policies	Affected line item and amounts in the statements
1	Net profit from continuing operations&net profit from discontinued operations are presented in the income statement respectively.	Consolidated income statement: net profit from continuing operations of CNY29,106,591.09 for current year, comparable amount for last year CNY62,950,588.35; net profit from discontinued operations of CNY0.00 for current year and last year. The Company's income statement: profit from continuing operations of CNY39,424,187.34 forcurrent year, comparable amount for last year CNY89,836,966.60; net profit from discontinued operations of CNY0.00 for current year and last year.
2	Government subsidies related to the Company's daily activities are included in other income and are no longer included in non-operating income. Compareble data are not adjusted.	Consolidated income statement: other income: CNY2,809,085.33. The Company's income statement:other income: CNY 470,234.44.
3	"gain from asset disposal" is added to income statement re-classify some of the gain/loss from asset disposal that are previously included in "non-operating income" and "non-operating expenses"	Consolidated income statement: current year: "non-operating income" decreased by CNY1,179,288.91, "non-operating expenses"decreased by CNY405,465.36, CNY773,823.55 was re-classified to "gain from asset disposal". Last year, : "non-operating income" decreased by CNY933,505.34, "non-operating expenses"decreased by CNY619,769.91, CNY313,735.43 was re-classified to "gain from asset disposal". The Company's income statement: current year: "non-operating income" decreased by CNY28,555.94, CNY28,555.94 was re-classified to "gain from asset disposal", amount from last year: CNY 0.00.

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

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)	130
Consecutive years of the audit service provided by the domestic CPAs firm	5
Names of the certified public accountants from the domestic CPAs firm	Lin Wanqiang, 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

Indicate by tick mark whether the change of CPAs firm perform the procedure for examination and approval

☐ Yes ☒ No

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

☒ Applicable ☐ Inapplicable

For the reporting period, the Company engaged Ruihua Certified 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

No such cases in the Reporting Period.

XII. Significant litigations and arbitrations

☐ Applicable ☒ Inapplicable

XIII. Punishments and rectifications

☒ Applicable ☐ Inapplicable

Name	Type	Reasons	Type of Investigation and Punishment	Conclusion (if any)	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.	01/21/2017	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.

Owing to the case, the stock of the Company suspended for a day on 16 May 2016 and after the “3.15” evening party, the Company immediately set up the Emergency project working group at that night as well as executed the follow-up product recall and the rectification work according to the requirements of the government quality inspection department. 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 of unqualified 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). Zhangzhou 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 21 January 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	3,705.76	2.77	4,000.00	No	Settled according to the contracts signed by the both parties	None	3/14/2017	www.cninfo.com.cn
Star Comgistic Trading Co., Ltd.	Ultimate controlling company	Sale of commodities	Sale of components and finished products			1,355.79	0.72	1,632.00	No				
Total						5,061.55		5,632.00					
Details of large amount of sales returns				N/A									
As for the prediction on the total amount of routine related-party transactions to be occurred in the reporting period by relevant types, the actual performance in the reporting period				N/A									
Reason for significant difference between the transaction price and the market price				N/A									

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

☐ Applicable ☒ Inapplicable

3. Related-party transitions regarding joint investments

☐ Applicable ☒ Inapplicable

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

☒ Applicable ☐ Inapplicable

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 6 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 dated 16 August 2011 and Announcement on Resolutions Made at the First Special Shareholders' General Meeting for 2011 dated 7 September 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 dated 3 July 2012 and Announcement on Resolutions Made at the Second Special Shareholders' General Meeting for 2012 dated 25 July 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 dated 28 June 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	1,656.53	2013/7/1	2018/9/30	887.12	According to the contract signed	34.02%	No	Naught

2. Significant guarantees

√ Applicable □ Inapplicable

Guarantees subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Tsann Kuen Edge Intelligence	2017-08-04	490.06	2017-08-04	245.03	Pledged	1 year	No	No
PT.STAR COMGISTIC INDONESIA	2017-08-04	1,960.26	2017-08-04	980.13	Pledged	1 year	No	No
Total guarantee line for subsidiaries approved during this Reporting Period (C1)		2,450.32		Total actual guarantee amount for subsidiaries during this Reporting Period (C2)		1,225.16		
Total approved guarantee line for subsidiaries at the end of this Reporting Period (C3)		2,450.32		Total actual guarantee balance for subsidiaries at the end of this Reporting Period (C4)		1,225.16		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during this Reporting Period (A1+B1+C1)		2,450.32		Total actual guarantee amount during this Reporting Period (A2+B2+C2)		1,225.16		
Total approved guarantee line at the end of this Reporting Period (A3+B3+C3)		2,450.32		Total actual guarantee balance at the end of this Reporting Period (A4+B4+C4)		1,225.16		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				2.01%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)					0			
Amount of debt guarantees provided directly or indirectly for					0			

entities with a liability-to-asset ratio over 70% (E)	
Portion of the total guarantee amount in excess of 50% of net assets (F)	0
Total amount of the three kinds of guarantees above (D+E+F)	0
Explanation on undue guarantee, guarantee liability incurred in this reporting period or possible joint liquidated liability undertaken (if any)	None
Explanation on providing external guarantee violating established procedures (if any)	None

3. Entrusted cash management

(1) Entrusted asset management

√ Applicable □ Inapplicable

Overview of entrusted assets management in Reporting Period

Unit: RMB'0,000

Type	Resource of funds	Amount incurred	Undue balance	Amount overdue
Bank financial product	Self-owned fund	40,000	40,000	0.00
Total		40,000	40,000	0.00

Unit: RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Resource of funds	Initial date	Ended Date	Use of fund	Break-even floating proceeds	Annual yield for reference	Estimate profit	Amount of actual profits or losses in reporting period	Actual recovery of profits or losses in reporting period	Amount withdrawn impairment provision	Whether go through stator procedures	Whether there is wealth management entrustment plan in future or not	Overview of the item and the related index for inquiring
Shanghai Harfor Lead Asset Management Co., Ltd.	Assets management institution	Break-even floating proceeds	5,000	Self-owned fund	2016/8/16	2017/8/15	Stock of debt of subsidiaries	Payment of interest and principal at maturity	5.50%	275.00	275.00	Recovered upon maturity	N/A	Yes	Subject to the future market yield and fund condition	http://www.cninfo.com.cn
CCB Huli	Bank		3,000		2016/12/21	2017/2/24	National debt/central bank bill		4.00%	21.37	21.37					
CCB Huli			5,000		2016/12/28	2017/6/28			3.75%	93.49	93.49					
Xiamen International Bank			15,000		2017/1/10	2017/12/26	Structural deposit		3.65%	532.29	532.29					

Name of the trustee	Type of the trustee	Type of the product	Amount	Resource of funds	Initial date	Ended Date	Use of fund	Break-even floating proceeds	Annual yield for reference	Estimate profit	Amount of actual profits or losses in reporting period	Actual recovery of profits or losses in reporting period	Amount withdrawn impairment provision	Whether go through stator procedures	Whether there is wealth management entrustment plan in future or not	Overview of the item and the related index for inquiring
Fubon Bank			4,000		2017/2/24	2017/8/24			4.00%	79.34	79.34					
Bank of East Asia-Xiamen Branch			3,000		2017/6/23	2017/12/22			4.55%	69.01	69.01					
Xiamen International Bank			5,000		2017/7/13	2017/12/26			4.60%	106.06	106.06					
Xiamen International Bank			10,000		2017/8/28	2018/8/29			4.60%	467.67		Undue				
Bank of East Asia-Xiamen Branch			3,000		2017/9/8	2017/12/22			4.50%	39.38	39.38	Recovered upon maturity				
China Everbright Bank-Xiamen Branch		Break-even floating proceeds	4,000		2017/9/29	2018/3/29			4.40%	88.00		Undue				
Bank of East Asia-Xiamen		Break-even floating	3,000		2017/12/27	2018/6/27			4.90%	74.32						

Name of the trustee	Type of the trustee	Type of the product	Amount	Resource of funds	Initial date	Ended Date	Use of fund	Break-even floating proceeds	Annual yield for reference	Estimate profit	Amount of actual profits or losses in reporting period	Actual recovery of profits or losses in reporting period	Amount withdrawn impairment provision	Whether go through stator procedures	Whether there is wealth management entrustment plan in future or not	Overview of the item and the related index for inquiry
Branch		proceeds														
Xiamen International Bank			15,000		2017/12/27	2018/12/24	Deposit taking of interbank		5.30%	799.42						
China Everbright Bank-Xiamen Branch		Break-even floating proceeds	8,000		2017/12/27	2018/7/27	Structural deposit		4.60%	214.67						
Total			83,000							2,860.02	1,215.94					

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

☐ Applicable ☒ Inapplicable

(2) Entrusted loans

☐ Applicable ☒ Inapplicable

No such cases in this reporting period.

4. Other significant contracts

☐ Applicable ☒ Inapplicable

No such cases in this reporting period

XVIII. Social responsibilities**1. Social responsibilities taken**

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

3. Details related to environment protection

☐ Applicable ☒ Inapplicable

XIX. Other significant events

☐ Applicable ☒ Inapplicable

XX. Significant events of subsidiaries

☒ Applicable ☐ Inapplicable

On Sep. 13, 2017, the Company reviewed and approved the proposal on signing expropriation compensation agreement by its grandchildren company Tsann Kuen China (Shanghai) Enterprise Co., Ltd. (TKS). And on the same date, TKS signed the Land Expropriation Compensation Agreement with People's Government of Anting Town, Jiading District, Shanghai. The Company received a total of RMB45,920,419.00 (40% of the amount stipulated in the agreement) as the first sum of expropriation compensation on Oct. 30, 2017, RMB45,920,419.00 (40% of the amount stipulated in the agreement) as the second sum on Nov. 15, 2017. For more details, please refer to the Announcement on Signing Land Expropriation Compensation Agreement by the Company's Grandchildren Company TKS disclosed on Sep. 14, 2017, Announcement on Progress in Signing Land expropriation Compensation Agreement by the Company's Grandchildren Company TKS disclosed on Nov. 1, 2017 and Announcement on Progress in Signing Land expropriation Compensation Agreement by the Company's Grandchildren Company TKS disclosed on Nov. 17, 2017 on (<http://www.cninfo.com.cn>), Securities Times and Hong Kong Ta Kung Pao.

In accordance with the content of Land Expropriation Compensation Agreement, TKS has completed the transitional procedures and received RMB22,960,209.00 (20% of the amount stipulated in the agreement) as the last sum of expropriation compensation. For more details, please refer to Announcement on Progress in Signing Land Expropriation Compensation Agreement by the Company's Grandchildren Company TKS disclosed on (<http://www.cninfo.com.cn>, Securities Times and Hong Kong Ta Kung Pao on Dec. 30, 2017

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	16,785	Total number of common shareholders at the prior month-end before the disclosure of this Report	16,672	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
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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(HONGKONG) LIMITED	Foreign corporation	4.96%	9,196,449	-2,013,478	0	9,196,449	N/A	0
FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	4,621,596	Unchanged	0	4,621,596	N/A	0
CHINA EVERBRIGHT SECURITIES (HONGKONG) CO., LTD.	Foreign corporation	1.14%	2,122,100	Newly increased	0	2,122,100	N/A	0
SHENWAN HONGYUAN SECURITIES (HK) LIMITED	Foreign corporation	1.06%	1,956,752	786,701	0	1,956,752	N/A	0
CHEN YONGQUAN	Domestic individual	1.02%	1,897,343	Unchanged	0	1,897,343	N/A	0
CHEN YONGQING	Foreign individual	0.80%	1,488,949	30,600	0	1,488,949	N/A	0
CHEN LIJUAN	Foreign individual	0.72%	1,330,434	22,417	0	1,330,434	N/A	0
DING XIAOLUN	Domestic individual	0.59%	1,103,000	20,700	0	1,103,000	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.						

Unit: share

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 share	53,940,530

EUPA INDUSTRY CORPORATION LIMITED	24,268,840	Domestically listed foreign share	24,268,840
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	9,196,449	Domestically listed foreign share	9,196,449
FILLMAN INVESTMENTS LIMITED	4,621,596	Domestically listed foreign share	4,621,596
CHINA EVERBRIGHT SECURITIES (HONGKONG) CO., LTD.	2,122,100	Domestically listed foreign share	2,122,100
SHENWAN HONGYUAN SECURITIES (HK) LIMITED	1,956,752	Domestically listed foreign share	1,956,752
CHEN YONGQUAN	1,897,343	Domestically listed foreign share	1,897,343
CHEN YONGQING	1,488,949	Domestically listed foreign share	1,488,949
CHEN LIJUAN	1,330,434	Domestically listed foreign share	1,330,434
DING XIAOLUN	1,103,000	Domestically listed foreign share	1,103,000
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	14676920-000-01-17-4	Investment
EUPA Industry Corporation Limited	Chen Yanjun	21 Jul. 1989	12959659-000-07-17-A	Investment
Fillman Investments Limited	Chen Yanjun	21 Jul. 1992	16269694-000-07-17-3	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

No such cases in this reporting period.

3. Information about the actual controller

Nature of actual controller: foreign individual

Type of actual controller: individual

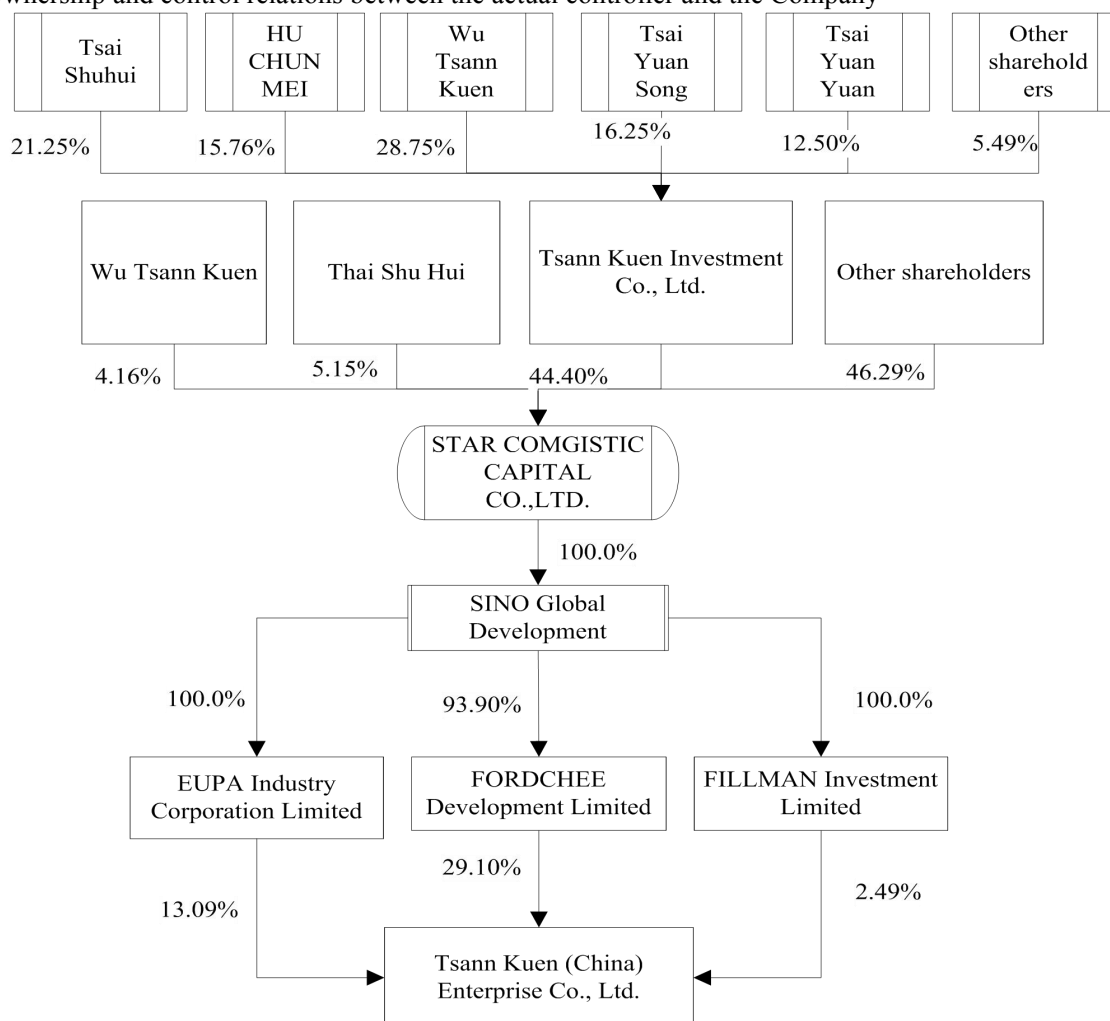
Name of actual controller	Nationality	Right of residence in other countries or regions
Wu Tsann Kuen	Taiwan, China	None
Main occupation and duty	Promoter of TSANN KUEN Group in China and Taiwan	
Used-to-be-holding listed companies at home and abroad in the last ten years	Actual controller of Tsann Kuen (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

☒ Applicable ☐ Inapplicable

Name	Office title	Type of change	Date	Reason
Tan Zichang	Managing director	Left	2017-04-06	Outgoing for the transition of directors, and applying for the resignation of general manager for the forthcoming end of his term
Pan Zhirong	Chairman of the Board		2017-04-06	Regular election
Pan Zhirong	General manager		2017-04-06	The board of directors employed Chairman of the Board Pan Zhirong to serve concurrently as the general manager
Chen Yanjun	Director		2017-04-06	Election
Zhuang Xing	Director		2017-04-06	Election
Cai Yuansong	Director		2017-04-06	Election
Tu Liandong	Independent director	Left	2017-04-06	The term expires and left
Tang Jinmu	Independent director		2017-04-06	Election
Bai Shaoxiang	Independent director		2017-04-06	Election
Ge Xiaoping	Independent director		2017-04-06	Election
Luo Qingxing	Shareholder-representative supervisor		2017-04-06	Election
Yang Yongquan	Shareholder-representative supervisor		2017-04-06	Election
Zheng Caiyun	Staff-representative supervisor		2017-04-06	Election

III. Brief biographies

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

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
Pan Zhirong	Chairman of the Board	Graduated from Machinery Division of ILMJ	1990.09-2003.06 2003.08-2006.01 2006.02-2008.09 2008.10-2010.07.25 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 2014.05.27-now 2014.06.11-now 2015.01.21-now 2015.02.25-now 2015.05.20-now 2016.03.02-now 2017.04.06-now	TECO Electric & Machinery Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) TsannKuen (Zhangzhou) Enterprise Co., Ltd. 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) Xiamen Tsannkuen Home Appliance Design Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd.	R&D and Business manager Manager of research institute Assistant manager of research institute Vice GM of Trade Department General manager Managing director Director Director Chairman of the Board Chairman of the Board Chairman of the Board Director Chairman of the Board Director Chairman of the Board General manager as his additional post
Zhuang Xing	Director	Graduated from YKMJ and NTU with a degree in EMBA (School non-completion)	1995.09.19-2006.06.17 1998.07-2001.02 2001.03-2003.04 2006.06.18-2011.01.02 2008.05.24-now 2008.04.25-2014.05.27 2011.01.03-2015.11.30 2011.01.31-2012.03.08 2012.03.09-now 2012.04-2014.08.31 2017.04.21-now	Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) 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) TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Director Deputy GM GM of Circulation Group Chairman of the Board Director Director Director Chairman of the Board Director CTO Director
Chen Yanjun	Director	Graduated from International Enterprise	1979.07-1981.11 1992.11-1997.04 1997.04-2001.08	Zhongxin CPA Testrite Group Testrite Group	Audit group leader GM of Accounting Department Deputy GM and spokesman

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
		Institute of NTU	2001.08-2003.03 2003.03-2004.02 2004.02-2004.04 2004.04-2005.04 2005.05-2007.12 2008.01-2009.10 2008.05.24-now 2008.04.25-2014.05.27 2008.04.29-2014.11.30 2015.01.21-now 2012.04-now 2013.02.20-2014.12.25 2015.02.25-now 2016.01.21-now 2016.06.15-now 2017.04.21-now	Testrite Group Testrite Group Testrite Group Tsann Kuen Group HOLA Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen (China) Enterprise Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd. Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen China (Shanghai) Enterprise Co., Ltd. Tsann Kuen Enterprise Co., Ltd.(Taiwan) Star International Travel Co., Ltd.(Taiwan) Tsannkuen Edge Intelligence Co., Ltd. (Taiwan) Crown & Fancy Wu Wha Ma International Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd.	CFO and spokesman CFO and spokesman of the Group Accountant and vice GM of Marketing Development Center CFO and spokesman Vice chairman of the Board and CSO Financial GM Director Director Director Director CRO Chairman of the Board Director Director Supervisor Director
Cai Yuansong	Director	Graduated from Manche State University, Minnesota with a degree in Business Administration	1993.02.16-2002.05.21 2002.07.24-2008.07.25 2002.05.22-2008.05.24 2011.06- now 2017.04.06- now 2017.04.21- now	Tsann Kuen (China) Enterprise Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Sekond Creative Design Co., Ltd. (Taiwan) Tsann Kuen (China) Enterprise Co., Ltd. TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Managing director Chairman of the Board Chairman of the Board Chairman of the Board Director Director
Ge Xiaoping	Independent director	Graduated from Zhongnan University of Economics and Law with a degree in Finance and Accounting	1980.12-1986.11 1986.11-1989.06 1989.06-1997.01 1997.01-2000.09 2000.09-2007.03 2007.03-2010.03 2008.05-2014.05 2014.06- now 2017.04.06-now 2017.2.10-now 2010.03-now	Hubei Electric Fuzhou Camera Co., Ltd. PLA Military Academy of Finance and Economics Fujian Mindu CPA Xiamen Andexin CPA Fujian Mindu BDO Tsann Kuen (China) Enterprise Co., Ltd. China Shengmu Organic Milk Limited Tsann Kuen (China) Enterprise Co., Ltd. Fujian Xunxing Zipper Science & Technology Co., Ltd.	Accountant Internal auditor Teacher Department manager Chief accountant CPA and vice director accountant independent director independent director independent director independent director Partner and the head of Xiamen

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
				BDO-Xiamen Branch	Branch
Bai Shaoxiang	Independent director	Graduated from Xiamen University with a master degree in Law	1994.07.01-1995.09.30 1995.10.01-1997.06.30 1997.07.01-2001.07.31 2001.08.01-2008.12.31 2005.05-2008.05 2007.01-now 2008.3-now 2008.06-2014.06 2009.04-2013.03 2009.01.01-now 2010.5-now 2013.9-now 2014.05.20-now 2016.12-now	Xiamen TENET Law Office (original name of Fujian TENET & PARTNERS Law Office) Xiamen Jinzhao Law Office Xiamen TENET Law Office (original name of Fujian TENET & PARTNERS Law Office) Fujian TENET& PARTNERS Law Office Xiamen King Long Motor Group Dandong Wanbaoyuan Mining Co., Ltd. Xiamen Arbitration Commission Fujian Shengtun Mining Group Co., Ltd. Shanghai Xingye Energy Holding Co., Ltd. Fujian TENET& PARTNERS Law Office Xiamen University Tan Kah Kee College School of Law in Xiamen University Tsann Kuen (China) Enterprise Co., Ltd. Fujian Torch Electron Technology Co., Ltd.	Full-time lawyer Full-time lawyer Partner Partner independent director Director Arbitrator independent director independent director Partner 、 executive director Part-time associate professor Part-time master tutor independent director independent director
Tang Jinmu	Independent director	Graduated from Xiamen University with a doctor degree in Fiscal Finance, senior accountant	1988.07-1994.06 1994.06-1998.12 1996.07-1998.12 1999.01-2001.12 2002.01-now 2002.09-now 2011.08-now 2014.05.20-now 2015.01.15-now 2016.02-now 2017.11.13 -now	Xiamen Municipal Bureau of Finance Xiamen CPA Xiamen Asset Evaluation Institute PCCPA Xiamen Asset Evaluation Association Xiamen Association of Certified Public Accountants Xiamen International Port Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Xingye Technology Co., Ltd. GOPRO Xiamen Red Phase Instruments Inc.	Clerk Vice director Head of the institute Director 、 Partner Secretary-general Secretary-general Independent supervisor independent director independent director independent director independent director

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
Luo Qingxing	Supervisory Board chairman	Graduated from Department of Politics, National Taiwan University	1989.06-2000.07 2001.11-2002.09 2003.01.07-2011.04.23 2010.10.26-2015.01.20 2011.05.21-now 2011.04.24- 2012.9.17 2012.09.18-now 2015.01.21-now 2016.03.02-now	Taiwan Polaris Securities, WATERLAND SECURITIES, PACIFIC SECURITIES Youth Dakang Cultural Enterprises Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen China (Shanghai) 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. Xiamen Tsannkuen Home Appliance Design Co., Ltd.	Deputy GM Deputy Financial GM Board Secretary Director Supervisory Board Chairman Deputy GM Deputy GM Chairman of the Board Director
Yang Yongquan	Supervisor	Graduated from Department of Accounting, National Taiwan University	1996.07-2003.06 2003.06-2003.10 2003.10-2005.02 2005.03-2006.07 2006.08-2007.10 2007.11-2009.12 2009.12.4-now 2012.07.24-now 2014.06.11-now 2015.01.21-now 2016.04.07-now	Taiwan Zhongxin CPA (Taiwan) Deloitte & Touche Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen Enterprise Co., Ltd.(Taiwan) Tsann Kuen (China) Enterprise Co., Ltd. PT.STAR COMGISTIC INDONESIA Tsann Kuen China (Shanghai) Enterprise Co., Ltd. Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Audit Service Manager Audit Service Manager Accounting manager Senior Accounting Manager Accounting Department Assistant Senior Accounting Department Assistant Vice GM of Accounting Department Supervisor Supervisor Director Supervisor
Zheng Caiyun	Supervisor	Graduated from School of Economics and Management, Fujian Forestry College	2016.06-now 2011.06- now 2008.07-2011.05 1998.08-2008.06 2016.03.02-now	Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd. Xiamen Tsannkuen Home Appliance Design Co., Ltd.	Staff-representative Supervisor Financial manager Vice Financial Manager Account Specialist Supervisor
Sun Meimei	Board Secretary	China Institute of Information Management with a degree in Business Administration	2011.04-now 2005.07-2011.04	Tsann Kuen (China) Enterprise Co., Ltd. Tsann Kuen (China) Enterprise Co., Ltd.	Board Secretary Securities Representative

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
Feng Zhiqing	Financial chief	Graduated from Department of Accounting, TKU	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 and ending date of tenure	Allowance from the shareholding entity
Zhuang Xing	Star Comgistic Capital Co., Ltd. (Taiwan)	Director	2013-06-20-now	No
Chen Yanjun	Star Comgistic Capital Co., Ltd. (Taiwan)	GM	2010-03-05-now	Yes
Chen Yanjun	Star Comgistic Capital Co., Ltd. (Taiwan)	Board Chairman	2017-03-07-now	Yes
Chen Yanjun	Fordchee Development Limited (Hong Kong)	Director	2009-02-26-now	No
Chen Yanjun	EUPA Industry Corporation Limited (Hong Kong)	Director	2009-02-26-now	No
Chen Yanjun	Fillman Investments Limited (Hong Kong)	Director	2009-02-26-now	No
Remark	N/A			

Posts held concurrently in other entities

√ Applicable □ Inapplicable

Name	Other entity	Post	Starting and ending date of tenure	Allowance from other entity
Pan Zhirong	East Sino Development Limited (HK)	Director	2014-03-05--now	No
Pan Zhirong	TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Chairman of the Board	2014-05-27--now	No
Pan Zhirong	PT.STAR COMGISTIC INDONESIA	Chairman of the Board	2014-06-11--now	No
Pan Zhirong	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director	2015-01-21--now	No
Pan Zhirong	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Chairman of the Board	2015-02-25--now	No
Pan Zhirong	Orient Star Investments Limited (HK)	Director	2015-05-20--now	No
Pan Zhirong	Xiamen Tsannkuen Home Appliance Design Co., Ltd.	Chairman of the Board	2016-03-02--now	No
Zhuang Xing	Star International Travel Co., Ltd.(Taiwan)	Director	2012-03-09--now	No
Zhuang Xing	TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Director	2017-04-21--now	No
Chen Yanjun	Tsann Kuen Enterprise Co., Ltd.(Taiwan)	Chief Risk Officer	2017-04-21--now	Yes
Chen Yanjun	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director	2015-01-21--now	No
Chen Yanjun	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Director	2015-02-25--now	No
Chen Yanjun	Crown & Fancy	Director	2016-01-21--now	No
Chen Yanjun	Wu Wha Ma International Co., Ltd.	Supervisor	2016-6-15--now	No
Chen Yanjun	TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Director	2017-04-21--now	No
Cai Yuansong	Sekond Creative Design Co., Ltd. (Taiwan)	Chairman of the Board	2011-06-01--now	Yes
Cai Yuansong	TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Director	2017-04-21--now	No
Ge Xiaoping	China Shengmu Organic Milk Limited	Independent director	2014-06-01--now	Yes
Ge Xiaoping	Fujian Xunxing Zipper Science & Technology Co., Ltd.	Independent director	2017-02-10--now	Yes
Ge Xiaoping	BDO-Xiamen Branch	Partner and head of an institute	2010-03-15--now	Yes
Bai Shaoxiang	Dandong Wanbaoyuan Mining Co., Ltd.	Director	2007-01-01--now	Yes
Bai Shaoxiang	Xiamen Arbitration Commission	Arbitrator	2008-03-01--now	Yes
Bai Shaoxiang	Xiamen University Tan Kah Kee College	Part-time associate professor	2010-05-01--now	Yes
Bai Shaoxiang	School of Law in Xiamen University	Part-time master tutor	2013-09-01--now	Yes
Bai Shaoxiang	Fujian Torch Electron Technology Co., Ltd.	Independent director	2016-12-29--now	Yes

Name	Other entity	Post	Starting and ending date of tenure	Allowance from other entity
Bai Shaoxiang	Fujian TENET& PARTNERS Law Office	Partner, executive director	2009-01-01--now	Yes
Tang Jinmu	Xiamen Association of Certified Public Accountants	Secretary-general	2002-09-01--now	Yes
Tang Jinmu	Xiamen Asset Evaluation Association	Secretary-general	2002-01-01--now	Yes
Tang Jinmu	Xingye Technology Co., Ltd.	Independent director	2015-01-15--now	Yes
Tang Jinmu	Xiamen International Port Co., Ltd.	Independent director	2011-08-01--now	Yes
Tang Jinmu	GOPRO	Independent director	2016-02-01--now	Yes
Tang Jinmu	Xiamen Red Phase Instruments Inc.	Independent director	2017-11-13--now	Yes
Luo Qingxing	TsannKuen (Zhangzhou) Enterprise Co., Ltd.	Vice GM	2012-09-18--now	No
Luo Qingxing	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Chairman of the Board	2015-01-21--now	No
Luo Qingxing	Xiamen Tsannkuen Home Appliance Design Co., Ltd.	Director	2016-03-02--now	No
Yang Yongquan	Tsann Kuen Enterprise Co., Ltd.(Taiwan)	Vice GM of Accounting Department	2009-12-04--now	Yes
Yang Yongquan	PT.STAR COMGISTIC INDONESIA	Supervisor	2014-6-11-now	No
Yang Yongquan	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director	2015-01-21-now	No
Yang Yongquan	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan))	Supervisor	2016-04-07-now	No
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 & GM	Male	51	Incumbent	101.28	No
Zhuang Xing	Director	Male	63	Incumbent	3.60	No
Chen Yanjun	Director	Male	56	Incumbent	3.60	Yes
Tan Zichang	Managing director	Male	48	Former	17.87	No
Cai Yuansong	Director	Male	62	Incumbent	2.65	No
Tu Liandong	Independent director	Male	50	Former	3.75	No
Bai Shaoxiang	Independent director	Male	45	Incumbent	12.00	No
Tang Jinmu	Independent director	Male	51	Incumbent	14.25	No
Ge Xiaoping	Independent director	Female	48	Incumbent	9.00	No
Luo Qingxing	Supervisor	Male	63	Incumbent	53.11	No
Yang Yongquan	Supervisor	Male	53	Incumbent	2.40	Yes
Zheng Caiyun	Supervisor	Female	42	Incumbent	24.60	No
Feng Zhiqing	Financial Chief	Male	48	Incumbent	28.50	No
Sun Meimei	Board Secretary	Female	44	Incumbent	20.64	No
Total	--	--	--	--	297.25	--

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	70
Number of in-service employees of main subsidiaries	4,123
Total number of in-service employees	4,193
Total number of employees with remuneration in this reporting period	4,305
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	131
Master	45	Financial	73
Bachelor	302	Technical	489
College graduates	313	Administrative	447
Below college	3,532	Production	3,053
Total	4,193	Total	4,193

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
2016 Annual Meeting of Shareholders	Annual	0.14%	2017-04-06	2017-04-07	www.cninfo.com.cn
The First Special Meeting of Shareholders in 2017	Special	0.08%	2017-08-25	2017-08-26	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

Independent director	Board meeting independent director should attend in this Reporting Period (times)	Attendance at board meeting on site (times)	Attendance at board meeting by telecommunication (times)	Attendance at board meeting through a proxy (times)	Absence from board meeting (times)	Absence from board meeting for two consecutive times	Shareholders' meeting attended (times)
Tu Liandong	2	2	0	0	0	No	1
Tang Jinmu	8	8	0	0	0	No	2
Bai Shaoxiang	8	8	0	0	0	No	2
Ge Xiaoping	6	5	0	1	0	No	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 2017 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, two meetings were held:

1. The motion on signing expropriation compensation agreement by the Company's grandchildren company Shanghai Tsann Kuen Enterprise Co., Ltd. was reviewed and approved on the First Meeting of the Board of Directors' Strategy Committee for 2017 held on 13 September 2017.
2. The Annual Budget Report of the Company for Year 2018 was passed on the Second Meeting of the Board of Directors' Strategy Committee for 2017 held on 8 December 2017.

The Board of Directors' Strategy Committee played an important role in enhancing the company's core competitiveness, strengthening the scientific decision-making and improving decision-making efficiency and quality through discussing and analyzing the above motions and bringing forward opinions and suggestions.

(2) Performance of the Board of Directors' Audit Committee

During the reporting period, seven meetings were held:

1. The Proposal on Withdrawing Annual Asset Impairment Provision for 2016 was reviewed and approved on the First Meeting of the Board of Directors' Audit Committee for 2017 held on 20 January 2017.
2. The Second Meeting of the Board of Directors' Audit Committee for 2017 was held on 12 March 2017, on which the following proposals were reviewed and approved: internal self-evaluation report, annual report for 2016 and the abstract, annual financial statements for 2016, annual profit distribution planning for 2016, annual estimated daily related transactions for year 2017, the final report for 2016 on the audit working of the Company made by Ruihua CPA, the motion on the asset management of the company-owned fund by the controlling subsidiary Zhangzhou Tsann Kuen Enterprise Co., Ltd. and the motion on external debts and related transactions by SCI, the Company's grandchildren company.

In terms of the 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, all financial statements formulated by the company were carefully reviewed, and relevant review opinions were also issued in written form.
- ② The audit committee communicated with the accountant in charge of the annual audit of the Company, Ruihua CPA, and confirmed the schedule for the execution of 2017 auditing works. 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.
- ④ After Ruihua Certified Public Accountants issued annual auditing report, objective evaluated the auditing work in the Company this year.
- ⑤ The proposal on continued hiring Ruihua CPA was put forward based on the understanding and evaluation of the working of Ruihua CPA.
3. The Third Meeting of the Board of Directors' Audit Committee for General Election in 2017 was held on 6 April 2017, on which Tang Jinmu, the independent director, was unanimously put forward for the convener of the 4th Audit Committee under the Board of Directors.
4. The Fourth Meeting of the Board of Directors' Audit Committee for 2017 held on 18 April 2017 reviewed and approved the First Quarter Report for 2017 and the Abstract.
5. The Fifth Meeting of the Board of Directors' Audit Committee for 2017 held on 4 August 2017 reviewed and approved the Semi-annual Report and the Abstract for 2017, Proposal on Continuing to Hiring CPA and Proposal on Payment of Audit Fees for 2017 of Ruihua CPA (special general partnership).

6. The Sixth Meeting of the Board of Directors' Audit Committee for 2017 held on 27 October 2017 reviewed and approved the Third Quarter Report and the Abstract.

7. The Seventh Meeting of the Board of Directors' Audit Committee for 2017 held on 8 December 2017 reviewed and approved the Audit Scheme for 2018.

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

During reporting period, there were three meetings held by the Nomination, Remuneration and Appraisal Committee of the Board:

1. The First Meeting of the Nomination, Remuneration and Appraisal Committee of the Board for 2017 held on 6 February 2017 reviewed and approved the Maker Performance of Zhangzhou Tsann Kuen Enterprise Co., Ltd. for 2016.

2. The Second Meeting of the Nomination, Remuneration and Appraisal Committee of the Board for 2017 held on 12 March 2017 reviewed and approved the summary report on the performance of duties by the Nomination, Remuneration and Appraisal Committee of the Board for 2016 and the proposal on initial examination of the candidates of the 9th Board of Directors and the remuneration of them.

After the Nomination, Remuneration and Appraisal Committee reviewed the actual production and operating results for 2016, 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.

3. The Third Meeting of the Nomination, Remuneration and Appraisal Committee of the Board for General Election in 2017 was held on 6 April 2017, on which the independent director Bai Shaoxiang was unanimously put forward for the convener of the 4th Nomination, Remuneration and Appraisal Committee of the Board.

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	2018-03-20	
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	Serious defect::RMB5 million (including RMB5 million) or above. Important defect: Within RMB1 million (including RMB1 million) to RMB5 million (including RMB5 million)

	government's policy, lead to investigation by the local governments or regulators, was ordered to stop business operations for rectification	
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. 2017.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	2018-03-20
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	2018-03-17
Name of audit institution	Ruihua Certified Public Accountants (LLP)
No. of audit report	Ruihua Shen Zi [2018] 48370002 Hao
Name of CPA	Lin Wanqiang, 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.

17 March 2018



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Independent Auditors' Report

Ruihua Shen Zi [2018] 48370002 Hao

To the Shareholders of TsannKuen (China) Enterprise Co., Ltd.

I. Audit Opinion

We have audited the accompanying financial statements of TsannKuen (China) Enterprise Co., Ltd., (hereafter, the Company), which include the Consolidated and Separate Statements of Financial Position as of 31 December 2017, 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 and the notes to the financial statements.

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 2017, and the Company's consolidated and separate results of operations and consolidated and separate cash flows for the year then ended.

II. Basis of Forming the Audit Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The section "Auditors' Responsibility for the Financial Statements" in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Items

Key audit items are the items which we believe, based on our professional judgment, to be significant in the audit of financial statements for the current period. Audit response to these items has been designed and implemented in the context of auditing the financial statements as a whole for the purpose of expressing an audit opinion on the financial statements; and we do not express an opinion on each of these items individually. We believe that the following items are the key audit items which warrant disclosure in the audit report.

1. Deferred Tax Assets Related to Deductible Tax Losses

1.1 Description

Please refer to Note 6.16 in Notes to the Financial Statements for relevant disclosure.

As of 31 December 2017, deferred tax assets in the Company's consolidated statement of financial position amounts to CNY 22,682,483.17, of which CNY 8,974,088.51 is related to deductible tax losses. The recognition of this deferred tax asset by the Company is based on future financial projection that the Company has sufficient taxable income to utilise the deductible tax losses before its expiration. Assessment on the utilisation of deferred tax asset in future periods depends on significant judgment of the management, and there is uncertainty in the management's estimates and assumption.

1.2 Audit Response

In response to the Company's recognition of the deferred tax asset related to deductible tax losses, we have implemented the following audit procedures:

1.2.1 We assessed the design and implementation of tax-related internal control of the Company.

1.2.2 We communicated with the Company's management, and obtained information on income tax returns related to tax losses to ensure the accuracy of deductible tax losses.

1.2.3 We obtained the Company's future financial projection which is approved by the management, and assessed whether the preparation reflects the development of the sector and the Company, and whether it is caused by special circumstances.

1.2.4 We reviewed the future financial projection used by the Company's management to assess the realisability of the deferred tax asset, and also assessed its realisability of the deferred tax asset.

1.2.5 We reviewed whether the deferred tax asset is recognised to the extent of taxable income that can utilise deductible tax losses in future periods.

2. Receipt of Relocation Compensation from the Government

2.1 Description

Please refer to Note 6.27 in Notes to the Financial Statements for relevant disclosure.

Tsann Kuen China (Shanghai) Enterprise Co., Ltd, the subsidiary of the Company, receives, in the current period, a total relocation compensation amounting to CNY 114,801,047.00 from the government for relocation mandated by the government. In the current period, total cost incurred for the relocation amounts to CNY 5,663,268.72 comprising loss on fixed assets amounting to CNY 5,249,140.83 and relocation expenses amounting to CNY 414,127.89. The corresponding compensation received is transferred from designated payables to deferred income, and non-operating income amounting to CNY 5,249,140.83 and other income amounting to CNY 414,127.89 is recognised in the current period accordingly. The designated payables as of 31 December 2017 amounts to CNY 109,137,778.28. Since the matter is special and material, we deemed it as a key audit item.

2.2 Audit Response

In response to the Company's relocation compensation, we have implemented the following audit procedures:

2.2.1 We interviewed the management to obtain an overall understanding of the relocation of Tsann Kuen China (Shanghai) Enterprise Co., Ltd. and the respectively accounting treatment.

2.2.2 We examined relocation related agreements as well as the original documents associated with government compensation in order to determine the applicable accounting treatment.

2.2.3 We examined the handover confirmation and the status of the relocation on site to assess whether conditions for income recognition has been satisfied; we reviewed the relocation expenses incurred, loss on disposal and scrap of relevant assets incurred during the relocating period to assess the accuracy of income recognised in the current period.

2.2.4 We discussed sufficiently with the management with regards to the future reconstruction plan of Tsann Kuen China (Shanghai) Enterprise Co., Ltd. and obtained an understanding of the management's estimates and judgment adopted during the allocation of compensation received for different projects to assess the reasonableness of the management's estimates and judgment in relation to the allocation

IV. Other Information

The management of the Company is responsible for other information, which includes the information contained in the Company's 2017 annual report except for the financial statements and our auditor report.

Our audit opinion on the financial statements does not cover other information, and we do not express assurance opinion in any form on the other information.

In parallel to our audit of the financial statements, our responsibilities include reading other information and to assess if the information included in other information is significantly inconsistent with the financial statements or information obtained during the audit, and if there is possible material misstatement in other information.

Where we identify material misstatement in other information on the basis of our work, we shall report such fact. Based on our work, we have no such matter to be reported.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company (hereafter, the management) is responsible for preparing and presenting the financial statements in accordance with Enterprise Accounting Standards of China and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company's going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

Those charged with governance are responsible for monitoring the Company's financial reporting process.

VI. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards.

Misstatements may be caused by fraud or error. Misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.

B. Understand the internal controls related to auditing in order to design appropriate audit procedures.

C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.

D. Conclude on the appropriateness of management's application of the going concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

E. Evaluate the overall presentation, structure and content of financial statements (including disclosures), and evaluate whether the financial statements present fairly the relevant transactions and events.

F. Obtain sufficient and appropriate audit evidence regarding to the Company's financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

We also provide a statement to those charged with governance regarding the fact that we comply with the requirements of professional ethics relating to independence, and also communicate with them about all relationships and other matters that may be reasonably deemed to affect our independence, as well as, where applicable, the relevant precautions.

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest, we do not disclose such items in the audit report.

Ruihua Certified Public Accountants

Certified Public Accountants

Wan qiang .Lin

Beijing. China

Certified Public Accountants

Lian wu .Chen

17 March 2018

Consolidated Statement of Financial Position

as of 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current assets			
Monetary funds	6.1	564,381,960.88	749,497,115.33
Financial assets measured by fair value with changes in fair value recognised in profit or loss	6.2	3,925,850.00	
Derivative financial assets			
Notes receivable	6.3		1,341,076.70
Accounts receivable	6.4	270,052,420.89	273,086,616.38
Advances to suppliers	6.5	10,939,777.79	6,964,904.97
Interests receivable	6.6		5,519.56
Dividends receivable			
Other receivables	6.7	35,318,724.60	40,381,756.08
Inventories	6.8	195,711,505.29	223,569,121.90
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	6.9	413,119,671.14	139,354,484.01
Total current assets		1,493,449,910.59	1,434,200,594.93
Non-current assets			
Available-for-sale financial assets	6.10	40,000.00	40,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment properties	6.11	32,125,408.51	42,158,120.51
Fixed assets	6.12	173,361,312.05	174,529,010.36
Construction in progress	6.13	2,059,623.18	269,633.08
Materials held for construction			
Disposal of fixed assets			
Biological assets held for production			
Oil and gas assets			
Intangible assets	6.14	29,501,389.01	23,840,277.12
Development expenditure			
Goodwill			
Deferred charges	6.15	4,388,248.42	4,142,242.19
Deferred tax assets	6.16	22,682,483.17	17,104,853.57
Other non-current assets	6.17	21,216,778.58	1,248,273.23
Total non-current assets		285,375,242.92	263,332,410.06
Total asset		1,778,825,153.51	1,697,533,004.99

(Continued in next page)

Consolidated Statement of Financial Position (Continued)

as of 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings	6.18	10,832,951.89	
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss			
Derivative financial liabilities			
Notes payable	6.19	20,024,149.15	23,251,704.93
Accounts payable	6.20	583,540,229.36	589,418,458.93
Advances from customers	6.21	11,661,974.88	11,187,023.96
Employment benefits payable	6.22	44,803,501.77	45,671,498.70
Taxes and fees payable	6.23	2,824,721.65	16,965,068.11
Interests payable	6.24	1,448.76	
Dividends payable			
Other payables	6.25	51,138,758.51	58,411,663.19
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		724,827,735.97	744,905,417.82
Non-current liabilities			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Sustainable debts			
Long-term payables			
Long-term employee benefits payable	6.26	156,540.09	187,928.74
Designated payables	6.27	109,137,778.28	
Provisions			
Deferred income			
Deferred tax liabilities	6.16	1,431,505.08	761,461.43
Other non-current liabilities			
Total non-current liabilities		110,725,823.45	949,390.17
Total liabilities		835,553,559.42	745,854,807.99
Shareholders' equity			
Share capital	6.28	185,391,680.00	185,391,680.00
Other equity instruments			
Including: Preferred shares			

Consolidated Statement of Financial Position (Continued)

as of 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Sustainable debts			
Capital reserves	6.29	296,808,965.79	296,808,965.79
Less: Treasury shares			
Other comprehensive income	6.30	4,619,820.87	8,491,902.45
Designated reserves			
Surplus reserves	6.31	33,888,636.90	29,946,218.17
Provision for General risks			
Retained earnings	6.32	90,105,224.21	90,217,504.90
Equity attributable to shareholders of the Parent		610,814,327.77	610,856,271.31
Minority interests		332,457,266.32	340,821,925.69
Total shareholders' equity		943,271,594.09	951,678,197.00
Total liabilities and shareholders' equity		1,778,825,153.51	1,697,533,004.99

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 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
Total revenue		1,872,746,942.25	1,813,281,222.42
Including: Revenue from operation	6.33	1,872,746,942.25	1,813,281,222.42
Total operating costs		1,875,305,131.23	1,757,154,034.40
Including: Cost for operation	6.33	1,604,321,535.38	1,495,101,137.26
Taxes and surcharges	6.34	11,269,791.37	11,297,603.16
Selling expenses	6.35	69,553,841.59	86,990,340.73
Administrative expenses	6.36	156,621,043.08	157,298,660.12
Financial costs	6.37	22,622,958.63	-31,511,102.68
Loss on asset impairment	6.38	10,915,961.18	37,977,395.81
Add: Gain from changes in fair value (loss presented with "-" prefix)	6.39	3,925,850.00	8,462,500.00
Investment income (loss presented with "-" prefix)	6.40	20,071,550.35	2,695,530.06
Including: Investment income from associates and joint ventures			
Gain on disposal of non-current assets (loss presented by "-" prefix)	6.41	773,823.55	313,735.43
Other income and gain	6.42	2,809,085.33	
Profit from operation (loss presented with "-" prefix)		25,022,120.25	67,598,953.51
Add: Non-operating income	6.43	8,923,887.76	9,382,706.53
Including: Gain on scrapping of non-current assets			
Less: Non-operating expenses	6.44	6,257,848.90	296,937.37
Including: Loss on scrapping of non-current assets		326,291.88	66,565.75
Profit before taxation (loss presented with "-" prefix)		27,688,159.11	76,684,722.67
Less: Income tax expenses	6.45	-1,418,431.98	13,734,134.32
Net profit (loss presented with "-" prefix)		29,106,591.09	62,950,588.35
A. Classified by business continuity			
1. Net profit from continued operations (loss presented with "-" prefix)		29,106,591.09	62,950,588.35
2. Net profit from discontinued operations (loss presented with "-" prefix)			
B. Classified by ownership			
1. Net profit attributable to minority interests (loss presented with "-" prefix)		3,029,451.45	14,721,090.99
2. Net profit attributable to shareholders of the Parent (loss presented with "-" prefix)		26,077,139.64	48,229,497.36

Consolidated Statement of Comprehensive Income

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
After-tax other comprehensive income	6.46	-5,162,775.47	6,992,756.11
After-tax other comprehensive income attributable to shareholders of the parent		-3,872,081.58	5,244,567.10
A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods		38,206.89	15,614.61
1. Remeasurement of net assets or net liabilities of defined benefit plans		38,206.89	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		-3,910,288.47	5,228,952.49
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 financial assets available for sale			
3. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale			
4. Effective elements of gain or loss of cash flow hedges			
5. Exchange difference on translation of foreign financial statements		-3,910,288.47	5,228,952.49
6. Others			
After-tax other comprehensive income attributable to minority interests		-1,290,693.89	1,748,189.01
Total comprehensive income		23,943,815.62	69,943,344.46
Total comprehensive income attributable to shareholders of the Parent		22,205,058.06	53,474,064.46
Total comprehensive income attributable to minority interests		1,738,757.56	16,469,280.00
Earning per share			
A. Basic earning per share		0.14	0.26
B. Diluted earning per share		0.14	0.26

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 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
Cash flows from operating activities			
Cash received for sales of goods and rendering of services		1,861,049,475.99	1,738,424,371.80
Tax refund received		199,281,889.19	198,707,074.60
Other cash receipts relating to operating activities	6.47.1	69,056,048.97	65,077,090.78
Cash inflows from operating activities		2,129,387,414.15	2,002,208,537.18
Cash payments for purchase of goods and services		1,609,032,230.92	1,463,159,437.29
Cash paid to or on behalf of employees		255,327,498.20	250,235,425.92
Taxes and fees paid		33,350,596.54	16,523,962.75
Other cash payments relating to operating activities	6.47.2	161,961,834.86	164,121,791.16
Cash outflows for operating activities		2,059,672,160.52	1,894,040,617.12
Net cash flows from operating activities		69,715,253.63	108,167,920.06
Cash flows from investing activities			
Cash received from investment withdrawal		437,912,190.00	230,000,000.00
Cash investment income received		12,159,360.35	15,255,832.06
Net cash received from disposal of fixed assets, intangible assets or other non-current assets		5,087,324.04	8,491,018.25
Net cash received from disposal of subsidiaries or other invested entities			
Other cash receipts relating to investing activities	6.47.3	727,263,330.65	405,296,840.00
Cash inflows from investing activities		1,182,422,205.04	659,043,690.31
Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets		87,998,988.25	63,054,331.93
Cash paid for investment		700,000,000.00	288,110,958.62
Net cash paid for acquisition of subsidiaries and other invested entities			
Other cash payments relating to investing activities	6.47.4	601,160,897.85	336,198,225.80
Cash outflows for investing activities		1,389,159,886.10	687,363,516.35
Net cash flows from investing activities		-206,737,681.06	-28,319,826.04
Cash flows from financing activities			
Cash received from investors			
Including: Cash received from minority shareholders of subsidiaries			

Consolidated Statement of Cash Flows

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
Cash received from loans raised		218,541,982.59	115,108,791.37
Cash received from debt instruments issued			
Other cash receipts relating to financing activities	6.47.5	6,740,000.00	4,951,200.00
Cash inflows from financing activities		225,281,982.59	120,059,991.37
Cash paid for debt repayment		203,377,836.44	119,958,691.37
Cash paid for dividends, profit distribution and interests		33,352,468.97	32,959,165.20
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries		10,103,416.93	13,824,332.69
Other cash payments relating to financing activities	6.47.6	6,740,000.00	4,951,200.00
Cash outflows for financing activities		243,470,305.41	157,869,056.57
Net cash flows from financing activities		-18,188,322.82	-37,809,065.20
Impact of change of foreign exchange rates on cash and cash equivalents		-18,603,018.40	20,331,839.42
Net increase of cash and cash equivalents		-173,813,768.65	62,370,868.24
Add: cash and cash equivalents brought forward		738,195,729.53	675,824,861.29
Cash and cash equivalents carried forward		564,381,960.88	738,195,729.53

Legal Representative
Person in Charge of Financial Department

Person in Charge of Accounting Work

Consolidated Statement of Changes in Shareholders' Equity

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	2017												
	Equity attributable to shareholders of the Parent											Minority interest	Total shareholders' equity
	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	-	-	-	296,808,965.79	-	8,491,902.45	-	29,946,218.17	-	90,217,504.90	340,821,925.69	951,678,197.00
Add: Changes of accounting policies													
Correction of prior period errors													
Business combination under common control													
Others													
Balance as at 1 January	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
Changes for the period (decrease presented by "-" prefix)							-3,872,081.58		3,942,418.73		-112,280.69	-8,364,659.37	-8,406,602.91
1. Total comprehensive income							-3,872,081.58				26,077,139.64	1,738,757.56	23,943,815.62
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									3,942,418.73		-26,189,420.33	-10,103,416.93	-32,350,418.53
a. Recognition of surplus reserves									3,942,418.73		-3,942,418.73		

Consolidated Statement of Changes in Shareholders' Equity

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	2017											
	Equity attributable to shareholders of the Parent											Minority interest
	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								Total shareholders' equity
b. Recognition of provision for general risks												
c. Distribution to shareholders											-22,247,001.60	-10,103,416.93
d. Others												
4. Movements within equity												
a. Capital reserves 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		4,619,820.87		33,888,636.90		90,105,224.21	332,457,266.32
												943,271,594.09

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

(Continued in next page)

Consolidated Statement of Changes in Shareholders' Equity(Continued)

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	2016												
	Equity attributable to shareholders of the Parent											Minority interest	Total shareholders' equity
	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 1 January	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													

Consolidated Statement of Changes in Shareholders' Equity(Continued)

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	2016												
	Equity attributable to shareholders of the Parent											Minority interest	Total shareholders' equity
	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									
4. Movements within equity													
a. Capital reserves 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

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Statement of Financial Position

as of 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current assets			
Monetary funds		5,342,389.95	6,668,219.24
Financial assets measured by fair value with changes in fair value recognised in profit or loss			
Derivative financial assets			
Notes receivable			1,341,076.70
Accounts receivable	13.1	20,741,059.08	30,084,632.38
Advances to suppliers		443,847.00	224,212.39
Interests receivable			
Dividends receivable			
Other receivables	13.2	472,467.07	539,684.23
Inventories		16,130,234.05	13,862,241.50
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		1,023,556.88	404,776.38
Total current assets		44,153,554.03	53,124,842.82
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	922,914,701.56
Investment properties		32,598,504.60	35,720,961.41
Fixed assets		1,568,125.72	1,985,546.98
Construction in progress			
Materials held for construction			
Disposal of fixed assets			
Biological assets held for production			
Oil and gas assets			
Intangible assets		56,249.99	83,249.99
Development expenditure			
Goodwill			
Deferred charges		18,932.97	69,866.41
Deferred tax assets		10,492,468.50	1,910,906.98
Other non-current assets			
Total non-current assets		967,688,983.34	962,725,233.33
Total asset		1,011,842,537.37	1,015,850,076.15

Statement of Financial Position (Continued)**as of 31 December 2017****Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.****Currency: CNY**

Item	Note	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings			
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		71,274,018.34	83,598,309.18
Advances from customers		1,664,602.93	930,623.95
Employment benefits payable		2,981,548.19	2,912,637.07
Taxes and fees payable		894,510.08	647,392.73
Interests payable			
Dividends payable			
Other payables		288,656,915.61	298,567,356.74
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		365,471,595.15	386,656,319.67
Non-current liabilities			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Sustainable debts			
Long-term payables			
Long-term employee benefits payable			
Designated payables			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		365,471,595.15	386,656,319.67

Statement of Financial Position (Continued)

as of 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	31 December 2017	31 December 2016
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 shares			
Other comprehensive income			
Designated reserves			
Surplus reserves		33,888,636.90	29,946,218.17
Provision for General risks			
Retained earnings		155,600,335.50	142,365,568.49
Total shareholders' equity		646,370,942.22	629,193,756.48
Total liabilities and shareholders' equity		1,011,842,537.37	1,015,850,076.15

Legal Representative
Person in Charge of Financial Department

Person in Charge of Accounting Work

Statement of Comprehensive Income

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
Revenue from operation	13.4	82,967,902.95	120,778,470.69
Less: Cost for operation	13.4	60,386,772.14	95,650,186.24
Taxes and surcharges		2,560,140.37	2,531,060.56
Selling expenses		8,752,327.66	10,945,149.43
Administrative expenses		11,779,434.50	11,084,090.69
Financial costs		-95,410.25	-37,781.30
Loss on asset impairment		-325,585.84	2,481,181.67
Add: Gain from changes in fair value (loss presented with "-" prefix)			
Investment income (loss presented with "-" prefix)	13.5	30,310,250.78	107,582,142.80
Including: Investment income from associates and joint ventures			
Gain on disposal of non-current assets (loss presented by "-" prefix)		28,555.94	
Other income and gain		470,234.44	
Profit from operation (loss presented with "-" prefix)		30,719,265.53	105,706,726.20
Add: Non-operating income		123,360.29	312,051.54
Including: Gain on scrapping of non-current assets			
Less: Non-operating expenses			
Including: Loss on scrapping of non-current assets			
Profit before taxation (loss presented with "-" prefix)		30,842,625.82	106,018,777.74
Less: Income tax expenses		-8,581,561.52	16,181,811.14
Net profit (loss presented with "-" prefix)		39,424,187.34	89,836,966.60
A. Net profit from continued operations (loss presented with "-" prefix)		39,424,187.34	89,836,966.60
B. Net profit from discontinued operations (loss presented with "-" prefix)			
After-tax other comprehensive income			

Statement of Comprehensive Income

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
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 financial assets available for sale			
3. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale			
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		39,424,187.34	89,836,966.60

Legal Representative
Person in Charge of Financial Department

Person in Charge of Accounting Work

Statement of Cash Flows

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	Note	2017	2016
Cash flows from operating activities			
Cash received for sales of goods and rendering of services		93,007,736.74	116,427,555.42
Tax refund received			
Other cash receipts relating to operating activities		15,100,752.12	12,965,773.16
Cash inflows from operating activities		108,108,488.86	129,393,328.58
Cash payments for purchase of goods and services		84,256,135.93	96,977,895.45
Cash paid to or on behalf of employees		11,965,904.89	11,744,622.68
Taxes and fees paid		4,186,634.34	2,863,340.79
Other cash payments relating to operating activities		17,137,881.34	170,807,997.03
Cash outflows for operating activities		117,546,556.50	282,393,855.95
Net cash flows from operating activities		-9,438,067.64	-153,000,527.37
Cash flows from investing activities			
Cash received from investment withdrawal			130,000,000.00
Cash investment income received		30,310,250.78	41,481,472.07
Net cash received from disposal of fixed assets, intangible assets or other non-current assets		53,200.00	
Other cash receipts relating to investing activities			
Cash inflows from investing activities		30,363,450.78	171,481,472.07
Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets		4,210.83	49,298.16
Cash paid for investment			1,000,000.00
Other cash payments relating to investing activities			
Cash outflows for investing activities		4,210.83	1,049,298.16
Net cash flows from investing activities		30,359,239.95	170,432,173.91
Cash flows from financing activities			
Cash received from investors			
Cash received from loans raised			
Cash received from debt instruments issued			
Other cash receipts relating to financing activities			
Cash inflows from financing activities			
Cash paid for debt repayment			
Cash paid for dividends, profit distribution and interests		22,247,001.60	18,539,168.00
Other cash payments relating to financing activities			
Cash outflows for financing activities		22,247,001.60	18,539,168.00
Net cash flows from financing activities		-22,247,001.60	-18,539,168.00
Impact of change of foreign exchange rates on cash and cash equivalents			25,715.12
Net increase of cash and cash equivalents		-1,325,829.29	-1,081,806.34
Add: cash and cash equivalents brought forward		6,668,219.24	7,750,025.58
Cash and cash equivalents carried forward		5,342,389.95	6,668,219.24

Legal Representative
Person in Charge of Financial Department

Person in Charge of Accounting Work

Statement of Changes in Shareholders' Equity

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	2017											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
Balance brought forward	185,391,680.00				271,490,289.82				29,946,218.17		142,365,568.49	629,193,756.48
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
Balance as at 1 January	185,391,680.00				271,490,289.82				29,946,218.17		142,365,568.49	629,193,756.48
Changes for the period (decrease presented by "-" prefix)									3,942,418.73		13,234,767.01	17,177,185.74
1. Total comprehensive income											39,424,187.34	39,424,187.34
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									3,942,418.73		-26,189,420.33	-22,247,001.60
a. Recognition of surplus reserves									3,942,418.73		-3,942,418.73	
b. Recognition of provision for general risks												

Statement of Changes in Shareholders' Equity

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Currency: CNY

Item	2017											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
c. Distribution to shareholders											-22,247,001.60	-22,247,001.60
d. Others												
4. Movements within equity												
a. Capital reserves 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				33,888,636.90		155,600,335.50	646,370,942.22

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Statement of Changes in Shareholders' Equity (Continued)

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (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 shareholders' equity
		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 1 January	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												

Statement of Changes in Shareholders' Equity (Continued)

for the Year ended 31 December 2017

Prepared by: TSANN KUEN (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 shareholders' equity
		Preferred shares	Sustainable debts	Others								
c. Distribution to shareholders											-18,539,168.00	-18,539,168.00
d. Others												
4. Movements within equity												
a. Capital reserves 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

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 2017

(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 Hong Kong Fillman investment Co.,Ltd. . On 16 February 1993, with the approval of the Ministry of Foreign Trade and Economic Co-operation, the Company was reorganized into an incorporated company and was renamed as TsannKuen (China) Enterprise Co., Ltd. In June 1993, the Company issued 40,000,000 new shares pursuant to an international placing and public offer and these new shares (“B shares”) were then listed on the Shenzhen Stock Exchange on 30 June 1993. According to the “Intended Implementation of Share Reducing Proposal” of the 5th extraordinary board of director of 2012 and the 3rd extraordinary shareholders’ general meeting of 2012, obtained the consent from the Investment Promotion Bureau of Xiamen which is authorized by the Ministry of Commerce and the approval documents “The Approval by Investment Promotion Bureau of Xiamen to Consent the Capital Reduction of TsannKuen (China) Enterprise Co., Ltd”(IPB audit [2012] NO. 698), as the base 1,112,350,077 shares of the total original share capital, for implementation of share reducing model that all registered shareholders who was recorded on 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 2017, 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 concerning the Approval of non-listed Foreign Shares Traded” from China Securities Regulatory Commission. The China Securities Regulatory Commission agreed 700,476,830 unlisted shares (account for 62.97% of the share capital) hold by the Company’s shareholders, EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited to transfer into B shares. On 29 November 2007 these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to 31 December 2017, total B shares hold by the three legal shareholders (EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited) are 82,830,966 shares 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 regulations application).

The financial statements approved by the resolution of the Board of Directors on 17 March 2018, in accordance with the Articles of Association, the financial statements will be submitted to the shareholders meeting for consideration Conference.

The 2017 annual consolidated scope of company are 10 subsidiaries, please see Note 7 "The equity in other main entities". The consolidated scope of this annual did not change.

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) on 15 February 2006, and revised Accounting Standards (order 42 of the Ministry of Finance) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

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

Note 3: Statement of Compliance with Enterprise Accounting Standards

The financial statements of the company are recognised 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 2017. In addition, the financial statements of the company comply, in all material respects, with the revised disclosing requirements for financial statements and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission (CSRC) in 2014.

Note 4: Important Accounting Principles and Accounting Estimates

The Company and subsidiaries are principally engaged in the production and operation. The Company and subsidiaries in accordance with the actual production and management features, according to the relevant provisions of Accounting Standards, to make a number of specific accounting policies and accounting estimates for other transactions and events of revenue recognition, see Note 4.23 “Revenue” for the description. For description of significant accounting judgments and estimates made by management, see Note 4.28 “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 realised 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 recognised 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 recognised in profit or loss when they are incurred.

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

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

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

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

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

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 55 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 4.13 "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

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

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

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 unrealised profit or loss arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

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

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

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognised as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (ie, in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 4.13 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 4.13.2.4)) and “due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original” (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary’s investment corresponding to the difference between the disposals, recognised in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

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 4.13.2.2 for details.

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

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

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 ① those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ② hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognised in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③ available-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 recognised 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 recognised as “exchange differences arising on translation of financial statements denominated in foreign currencies” in owner’s equity, and in profit or loss for the period upon disposal of the foreign operation.

The Group translates the financial statements of its foreign operations into CNY by following rules. Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items occur; income and expenses in income statement are translated at the spot exchange rates at the date of transaction; the opening retained earnings is the closing retained earnings of the last period after translation; the closing balance of retained earnings is calculated 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 overseas 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 overseas 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 overseas 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 recognised and derecognised on a trade date basis. On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognised 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 recognised.

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

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

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

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

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised 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 recognised 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 recognised in capital reserve shall be removed and recognised 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 recognised in profit or loss.

If, after an impairment loss has been recognised, 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 recognised, 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 derecognises a financial asset when one of the following conditions is met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- 3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognised according to the extent it exists as financial asset, and correspondent liability is recognised. 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 recognised in other comprehensive income, is recognised 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 recognised and the part that is derecognised, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognised; and (b) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised 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 recognised 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 recognised 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 recognised in profit or loss for the current period.

3) Financial Guarantee Contract

Financial guarantee contracts that are not classified as financial liabilities measured by fair value with the changes in fair value recognised in profit or loss are initially recognised at fair value. After the initial recognition, financial guarantee contracts shall be measured at the higher of the amount recognised in accordance with the Accounting Standards for Enterprises No. 13 - Contingencies Subsequent measurement and the initial recognition amount deducted by the accumulative amortisation amount determined in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue.

4.9.6 Derecognition of financial liabilities

The Group derecognises 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 derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised 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 recognised in profit or loss.

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

4.9.8 Offsetting financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise 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 recognise any changes in the fair value of equity instruments.

4.10 Receivables

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 recognised 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 recognised 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 recognised, the previously recognised impairment loss is reversed and recognised 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 recognised 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 planned cost, to record the difference between planned cost and actual cost through the cost variances account, and carryover the cost variances of issued inventory on schedule, to adjust the planned cost to actual cost. Cost of issue is measured using the weighted average method.

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 Non-current Assets Held for Sale and Discontinued Operations

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

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

the reclassification to non-current assets held for sale shall not be recovered.

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

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

4.13 Long-term equity investments

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

4.13.1 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 acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the difference between the cost of combination and the sum of the book value of the investment in the acquiree immediately before the combination and the book value of the consideration transferred to acquire additional shareholding is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Cumulative other comprehensive income associated with the

investment recognised as a result of the treatment of equity method or available-for-sale financial assets prior to the combination is not affected by the combination.

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

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

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

4.13.2 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 recognised 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 acquisition. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of 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 is 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 recognised 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 recognised 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 acquisition is treated in the same manner that the investee disposes the relevant assets or liabilities proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss proportionate to the disposal.

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 recognised 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 is 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 is measured in accordance with the

recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and the book value of the remaining investment at the date of loss of control is 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 recognised in profit or loss when control is lost. Where the remaining investment is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss in full.

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 recognised 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.

4.14 Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. In addition, the Company holds for future operating lease vacant buildings, if the board of directors (or similar body) to make a written resolution, made it clear that their intention for rent and shall not occur in the short term change, but also as an investment real estate presentation. Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent 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 4.20 "Non-current and non-financial assets impairment".

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

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

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

4.15 Fixed assets

4.15.1 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.

4.15.2 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

Category	Estimated residual value(%)	Expected useful life	Depreciation(%)
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.

4.15.3 Measurement and recognition of fixed assets impairment

Impairment and provisions of fixed assets are disclosed on Note 4.20 "Impairment of non-current and non-financial assets".

4.15.4 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.

4.15.5 Others

A fixed asset is recognised 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 derecognised. Otherwise, such expenditure shall be recognised 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.

4.16 Construction in progress

Construction in progress is measured at its actual cost. The actual costs include various construction

expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use. Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note 4.20.

4.17 Borrowing costs

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

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

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

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

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

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

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

4.18 Intangible assets

4.18.1 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.

4.18.2 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.

4.18.3 Impairment of intangible assets

Impairment and provisions of intangible assets are disclosed on Note 4.20.

4.19 Long-term deferred expenditure

An item long-term deferred expenses is an expense which has been incurred and which has a beneficial period

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

4.20 Impairment of long-term assets

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

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

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

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

4.21 Employee Benefits

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

Short-term employee benefits includes wages, bonuses, allowances and subsidies, welfare, health insurance ,

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

Post-employment benefits mainly include basic old-age insurance, unemployment insurance and annuities.

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

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

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

Other long-term employee benefits provided by the company to employees that 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.

4.22 Accrued liabilities

Recognition of accrued liabilities:

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

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

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

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

4.23 Revenue

4.23.1 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 recognised for the events, but the amount shall be recognised 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 recognise the claim indemnity expense.

4.23.2 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.

4.23.3 Revenue from construction contracts

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

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

①total contract revenue can be measured reliably; ②it is probable that the economic benefits associated with the contract will flow to the enterprise; ③the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and, ④both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

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

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

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

4.23.4 Royalty Revenue

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

4.23.5 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.

4.24 Government Grants

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

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

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

When received the government grants actually, recognised and measured them by the actual amount received. However, there is strong evidence that the end of fiscal support policies able to meet the conditions specified in the relevant funds are expected to be able to receive financial support, measured at the amount receivable.

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

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

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

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

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

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

4.25 Deferred tax assets and deferred tax liabilities

4.25.1 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 realised 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.

4.25.2 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 recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised 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 recognised.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognised 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 recognised.

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 recognised.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognised 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 recognises 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 recognised 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 realised 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.

4.25.3 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.

4.25.4 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.

4.26 Leases

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

4.26.1 The Company as Lessee under operating Lease

Lease payments under an operating lease are recognised 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.

4.26.2 The Company as Lessor under operating Lease

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

4.26.3 Financial lease to which the Company is the lessee

At the commencement of a financial lease to which the Company is the Lessee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognised as the cost of the leased asset; the minimum lease payment is recognised as a long-term payable; and the excess of the long-term payable over the amount recognised as the cost of the leased asset is recognised as unrecognised lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognised as part of the cost of the leased asset. The residual amount after deducting the unrecognised lease expenditure from the long-term payable is divided

into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

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

4.26.4 Financial lease to which the Company is the lessor

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

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

4.27 Significant changes in accounting policies and accounting estimates

4.27.1 Changes in accounting policies

4.27.1.1 Changes in accounting policies due to the implementation of the new Accounting Standards for Business Enterprises

The Ministry of Finance issued CAS 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations, with “CaiKui [2017] No.13” on 28 April 2017, effective on 28 May, 2017. The Ministry of Finance issued the revised CAS 16 - Government Subsidies (2017) with “CaiKui [2017] No.15” on 10 May 2017, effective on 12 June 2017. The Company started to implement the aforesaid two accounting standards in accordance with the time required by the Ministry of Finance.

“CAS 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations”, regulates the classification, measurement and presentation of non-current assets or disposal group held for sale, as well as the presentation of discontinued operation. The financial statements of the comparable period and notes to the financial statements for the discontinued operation existed on 28 May 2017 has been adjusted in accordance with the standard.

Before implementing the revised “CAS 16 - Government Subsidies (2017)”, the Company recognised government subsidies in non-operating income, government subsidies related to assets would be recognised as deferred income and amortized into profit and loss in average during the useful life, within the useful life of the

assets. After the implementation of the revised "CAS 16 - Government Subsidies (2017)", government subsidies related to daily activities incurred after 1 January 2017 are included in other income, those not related to daily activities are included in non-operating income and expense.

The Company's first Meeting of the Board of Directors and first meeting of the Board of Supervisors in 2018 held on 17 March 2018 reviewed and approved the Proposal for Changes in Accounting Policies. Independent directors and supervisors of the Company expressed independent opinions which consent the proposal.

4.27.1.2 The main effects of the Company's implementation of the above standards are as follows:

Unit: CNY

No	Contents and Reasons of Changes in Accounting Policies	Affected line item and amounts in the statements
1	Net profit from continuing operations& net profit from discontinued operations are presented in the income statement respectively.	Consolidated income statement: net profit from continuing operations of CNY29,106,591.09 for current year, comparable amount for last year CNY62,950,588.35; net profit from discontinued operations of CNY0.00 for current year and last year. The Company's income statement: profit from continuing operations of CNY39,424,187.34 for current year, comparable amount for last year CNY89,836,966.60; net profit from discontinued operations of CNY0.00 for current year and last year.
2	Government subsidies related to the Company's daily activities are included in other income and are no longer included in non-operating income. Compareble data are not adjusted.	Consolidated income statement: other income: CNY2,809,085.33. The Company's income statement: other income: CNY 470,234.44.

No	Contents and Reasons of Changes in Accounting Policies	Affected line item and amounts in the statements
3	"gain from asset disposal" is added to income statement re-classify some of the gain/loss from asset disposal that are previously included in "non-operating income" and "non-operating expenses"	Consolidated income statement: current year: "non-operating income" decreased by CNY1,179,288.91, "non-operating expenses" decreased by CNY405,465.36, CNY773,823.55 was re-classified to "gain from asset disposal". Last year, "non-operating income" decreased by CNY933,505.34, "non-operating expenses" decreased by CNY619,769.91, CNY313,735.43 was re-classified to "gain from asset disposal". The Company's income statement: current year: "non-operating income" decreased by CNY28,555.94, CNY28,555.94 was re-classified to "gain from asset disposal", amount from last year: CNY 0.00.

4.27.2 Change of accounting estimates

No change of accounting estimates need to be disclosed for the current period.

4.28 Significant account judgment and estimates

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

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

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

4.28.1 Classification of lease

The Company classifies leases as operating lease and financing lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21--Leasing. The management shall make analysis and

judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

4.28.2 Allowance for bad debts

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

4.28.3 Impairment of inventories

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

4.28.4 The fair value of financial instruments

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

4.28.5 Impairment of available-for-sale assets

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

4.28.6 Impairment of non-financial, non-current assets

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

be recovered.

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

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

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

The Company makes an impairment test for goodwill at least at each year end. This requires an estimation of present value of future cash flow of the assets or assets group where goodwill has been allocated. The Company shall 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.

4.28.7 Depreciation and amortization

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

4.28.8 Deferred tax assets

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

4.28.9 Income tax

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

period during the final determination.

4.28.10 Accrued liabilities

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

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

4.28.11 Fair value measurement

Some of the Company's assets and liabilities are measured at fair value in the financial statements. In estimating the fair value of an asset or liability, the Company adopts available observable market data. If first level of input value cannot be obtained, the company will hire third-party qualified appraisers to perform the valuation. See Note 9 for disclosure of the valuation techniques and input values used in determining the fair value of various types of assets and liabilities.

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 after deduct the deductible input tax to pay the VAT	5, 6, 11, 13, 17
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2

Taxes and surcharges	Tax base	Tax rate%
Corporate income tax	Taxable profits	25

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
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%.

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
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

Taxes and surcharges	Tax base	Tax rate%
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

5.2.4 Pt.Star Comgistic 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

5.3 Tax concessions and government approvals

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

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 2017, prior year is 2016 respectively.

6.1 Monetary funds

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Cash in hand	800,792.90	703,668.78
Bank deposit	563,581,167.98	748,793,446.55
Total	564,381,960.88	749,497,115.33
Including: The total amount of deposit abroad	8,996,831.17	19,034,720.76

6.2 Financial asset measured by fair value and which change is recorded in current incomes

6.2.1 Classification

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Transactional financial assets	3,925,850.00	

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Including: Derivative financial assets	3,925,850.00	
Total	3,925,850.00	

6.2.2 Explanation

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

6.3 Notes receivable

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Bank acceptance		1,341,076.70
Total		1,341,076.70

6.4 Accounts receivable

6.4.1 Disclosure by classification

Items	Balance as at 31/12/2017				
	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					
Accounts receivable portfolio subject to impairment by credit risk:	282,211,379.57	100.00	12,158,958.68	4.31	270,052,420.89
Portfolio by age	280,945,797.16	99.55	12,158,958.68	4.33	268,786,838.48
Portfolio by related parties	1,265,582.41	0.45	-	-	1,265,582.41
Accounts receivable of individually insignificance subject to individually assessment for impairment					
Total	282,211,379.57	100.00	12,158,958.68	4.31	270,052,420.89

(Continued)

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					

Items	Balance as at 31/12/2016				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
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			2,679,786.09
Accounts receivable of individually insignificance subject to individually assessment for impairment					
Total	285,221,438.01	100.00	12,134,821.63	4.25	273,086,616.38

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

Age	Balance as at 31/12/2017		
	Accounts receivable	Allowance for bad debt	% of total
Within 1 year	272,576,253.64	3,789,415.16	1.39
Including: 1-90 days	238,858,227.56	-	-
91-180 days	32,001,671.63	3,200,167.17	10.00
181-270days	1,344,646.23	403,393.85	30.00
271-365 days	371,708.22	185,854.14	50.00
1 to 2 years	510,134.12	510,134.12	100.00
2 to 3 years	7,859,409.40	7,859,409.40	100.00
Total	280,945,797.16	12,158,958.68	4.33

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

Items	Balance as at 31/12/2017		
	Accounts receivable	Allowance for bad debt	% of total
Related parties	1,265,582.41	-	-
Total	1,265,582.41	-	-

6.4.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognised during the year is CNY954,766.16. The amount of recovered or reversed allowance for bad debts during the year is CNY538,980.27, the effect of exchange rate on bad debt provision is CNY-26,449.55.

6.4.3 Accounts receivable written off during the current year

Items	Written off amount
Sporadic accounts receivable written off	365,199.29

6.4.4 Details of top five accounts receivable

The total amount of top five accounts receivables summarized by debtors as at the end of current year is CNY 160,749,096.86, accounting for 56.96% of the total accounts receivable as at the end of current year, the total corresponding allowance for bad debts is CNY1,583,102.92.

6.5 Advances to suppliers

6.5.1 Disclosure by age

Age	Balance as at 31/12/2017		Balance as at 31/12/2016	
	Amount	% of total	Amount	% of total
Within 1 year	10,747,472.71	98.24	6,964,904.97	100.00
1 to 2 years	192,305.08	1.76		
Total	10,939,777.79	100.00	6,964,904.97	100.00

6.5.2 Details of top five advance to suppliers

The total amount of top five advance to suppliers as at the end of current year is CNY8,104,571.12, accounting for 74.08% of the total advance to suppliers.

6.6 Interests receivable

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Fixed deposit receipt		5,519.56
Total		5,519.56

6.7 Other receivable

6.7.1 Disclosure by classification

Items	Balance as at 31/12/2017				
	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	34,239,603.90	92.55	1,677,945.42	4.90	32,561,658.48

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
impairment by credit risk:					
Portfolio by age	33,999,567.58	91.90	1,677,945.42	4.94	32,321,622.16
Portfolio by related parties	240,036.32	0.65			240,036.32
Other receivable of individually insignificance subject to individually assessment for impairment	2,757,066.12	7.45			2,757,066.12
Total	36,996,670.02	100.00	1,677,945.42	4.54	35,318,724.60

(Continued)

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:					
Portfolio by age	40,404,849.01	96.02	1,698,478.04	4.20	38,706,370.97
Portfolio by related parties	40,156,836.65	95.43	1,698,478.04	4.23	38,458,358.61
Other receivable of individually insignificance subject to individually assessment for impairment	248,012.36	0.59			248,012.36
Other receivable of individually insignificance subject to individually assessment for impairment	1,675,385.11	3.98			1,675,385.11
Total	42,080,234.12	100.00	1,698,478.04	4.04	40,381,756.08

6.7.1.1 Other receivables with insignificant individual year-end amount but have provision for bad debt

Other receivables (By company)	Balance as at 31/12/2017			
	Other receivables	Allowance for bad debt	% of total	Reasons for allowance
Guangzhou Intellectual Property Court	700,000.00			Deposit, there is no

Other receivables (By company)	Balance as at 31/12/2017			
	Other receivables	Allowance for bad debt	% of total	Reasons for allowance
				impairment
China Export & Credit Insurance Corporation (Fujian Branch)	648,450.00			Deposit, there is no impairment
Zhangzhou Intermediate People's Court	565,000.00			Deposit, there is no impairment
PT. PLN (PERSERO)	486,745.85			Deposit, there is no impairment
Longhai People's Court	200,000.00			Deposit, there is no impairment
Alipay (China) Network Technology Co. Ltd.	50,000.00			Deposit, there is no impairment
Niu Hai E-commerce (Shanghai) Co., Ltd.	30,000.00			Deposit, there is no impairment
Jiangsu Suning E-Commerce Co., Ltd.	30,000.00			Deposit, there is no impairment
GOME online e-commerce Co., Ltd.	10,000.00			Deposit, there is no impairment
Shanghai Feiniu Jida Electronic Business Co., Ltd.	10,000.00			Deposit, there is no impairment
Others	26,870.27			Deposit, there is no impairment
Total	2,757,066.12			

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

Items	Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	32,499,385.90	177,763.74	0.55
Including: 1-90 days	31,917,669.33	-	0
91-180 days	255,325.10	25,532.51	10
181-270days	54,822.48	16,446.73	30
271-365 days	271,568.99	135,784.50	50

Items	Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debt	% of total
1 to 2 years	1,495,181.68	1,495,181.68	100
2 to 3 years			
Over 3 years	5,000.00	5,000.00	100
Total	33,999,567.58	1,677,945.42	4.94

6.7.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognised during the current year is CNY99,517.63, other receivables written off during the current year is CNY11,069.45.

6.7.3 Other receivable written off during the current year

Items	Amount written off
Other receivable written off	108,980.80

6.7.4 Details of top five other receivables

Debtors	Nature of OR	Carrying amount as at 31/12/2017	Age	% of total	Allowance for bad debt as at 31/12/2017
Zhangzhou Longchi Development zone State Administration of Taxation	Export tax rebate	22,000,000.00	0-90 days	59.46	
Shanghai Tanghai Investment Co., Ltd.	Rent fee, electricity and water bill	1,238,148.47	Over 1 year	3.35	1,238,148.47
Zhangzhou Xincheng Metal Products Co., Ltd	Rent fee, electricity and water bill	724,234.42	0-90 days	1.96	
State Grid Fujian Longhai Power Supply Co., Ltd.	Others	714,577.59	0-90 days	1.93	
Guangzhou Intellectual Property Court.	Deposit	700,000.00	90-180 days	1.89	
Total		25,376,960.48		68.59	1,238,148.47

6.8 Inventories

6.8.1 Disclosure by classification

Items	Balance as at 31/12/2017		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	91,556,442.22	29,307,728.29	62,248,713.93
Work in progress	17,139,369.83		17,139,369.83
Self-manufactured semi-finished goods	16,901,263.40	1,246,838.74	15,654,424.66
Finished goods	100,634,151.65	5,608,126.31	95,026,025.34
Low-value consumables	1,872,537.93		1,872,537.93
Materials in transit	3,770,433.60		3,770,433.60
Total	231,874,198.63	36,162,693.34	195,711,505.29

(Continued)

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		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		5,214,202.94
Materials in transit	2,170,009.62		2,170,009.62
Total	270,697,896.39	47,128,774.49	223,569,121.90

6.8.2 Impairment allowance for inventories

Items	Balance as at 31/12/2016	Increase in current year		Decrease in current year		Balance as at 31/12/2017
		Accrual	Impact of changes in exchange rates	Recovered or Written off	Other	
Raw material	28,867,144.56	8,355,439.44	-113,634.04	7,801,221.67		29,307,728.29
Self-manufactured semi-finished goods	1,572,057.26	644,777.26		969,995.78		1,246,838.74
Finished goods	16,689,572.67	1,411,510.41	-16,688.34	12,476,268.43		5,608,126.31
Total	47,128,774.49	10,411,727.11	-130,322.38	21,247,485.88		36,162,693.34

6.8.3 The basis of recognizing impairment 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

6.9 Other current assets

Items	Carrying amounts as at 31/12/2017	Carrying amounts as at 31/12/2016
Input tax to be deducted	11,205,884.70	8,708,135.99
Financial products	400,000,000.00	130,646,348.02
Prepaid income tax	1,913,786.44	

Items	Carrying amounts as at 31/12/2017	Carrying amounts as at 31/12/2016
Total	413,119,671.14	139,354,484.01

6.10 Available-for-sale financial assets

6.10.1 The situation of available-for-sale financial assets

Items	Carrying amounts as at 31/12/2017			Carrying amounts as at 31/12/2016		
	Carrying amounts	Impairment	Net carrying amounts	Carrying amounts	Impairment	Net carrying amounts
Available for sale equity instruments	40,000.00		40,000.00	40,000.00		40,000.00
Including: measured by cost	40,000.00		40,000.00	40,000.00		40,000.00
Total	40,000.00		40,000.00	40,000.00		40,000.00

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

Investee	Carrying amounts as at 31/12/2017				Impairment				% of total	Cash dividend for current year
	Carrying amounts as at 31/12/2016	Increase in current year	Decrease in current year	Carrying amounts as at 31/12/2017	Carrying amounts as at 31/12/2016	Increase in current year	Decrease in current year	Carrying amounts as at 31/12/2017		
Xiamen Association of Enterprises with Foreign Investment	40,000.00			40,000.00					1.48	
Total	40,000.00			40,000.00					1.48	

6.11 Investment property

6.11.1 Investment property measured using the historical cost convention

Items	Houses and buildings	Land use rights	Total
1. Cost:			
1.1 Balance as at 31/12/2016	130,947,241.39	29,260,577.51	160,207,818.90
1.2 Increased in current year			

Items	Houses and buildings	Land use rights	Total
1.2.1 Purchase			
1.2.2 Transferred from inventory/fixed assets/construction in process			
1.2.3 Increased due to merger			
1.3 Decreased in current year	33,059,650.48		33,059,650.48
1.3.1 Disposal	33,059,650.48		33,059,650.48
1.3.2 Other transferd out			
1.4 Balance as at 31/12/2017	97,887,590.91	29,260,577.51	127,148,168.42
2. Accumulated Depreciation and accumulated amortization			
2.1 Balance as at 31/12/2016	105,016,148.68	13,033,549.71	118,049,698.39
2.2 Increased in current year	4,086,981.72	624,420.21	4,711,401.93
2.2.1 Accrual or amortization	4,086,981.72	624,420.21	4,711,401.93
2.3 Decreased in current year	27,738,340.41		27,738,340.41
2.3.1 Disposal	27,738,340.41		27,738,340.41
2.3.2 Other transferd out			
2.4 Balance as at 31/12/2017	81,364,789.99	13,657,969.92	95,022,759.91
3. Carrying amount			
3.1 Carrying amount as at 31/12/2017	16,522,800.92	15,602,607.59	32,125,408.51
3.2 Carrying amount as at 31/12/2016	25,931,092.71	16,227,027.80	42,158,120.51
6.11.2 Investment property with pending ownership registration			
Items	Carrying amount	Reason for pending	
Lvyuan three country villa	1,263,259.01		

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.

6.12 Fixed assets

6.12.1 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 31/12/2016	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
1.2 Increased in current year		6,512,934.18	30,795,980.98	3,789,434.63	249,126.44	41,347,476.23
1.2.1 Purchase		6,478,266.75	30,765,376.59	3,789,434.62	231,579.23	41,264,657.19
1.2.2 Impact of changes in exchange rates		34,667.43	30,604.39	0.01	17,547.21	82,819.04
1.3 Decreased in current year	1,908,173.93	23,498,278.94	182,603,905.88	2,274,153.98	2,407,059.57	212,691,572.30
1.3.1 Disposal or scrap		21,597,858.06	181,450,633.51	2,227,583.11	1,963,436.72	207,239,511.40
1.3.2 Impact of changes in exchange rates	1,908,173.93	1,900,420.88	1,153,272.37	46,570.87	443,622.85	5,452,060.90
1.4 Balance as at 31/12/2017	91,979,314.65	138,265,237.18	975,642,609.48	18,088,145.19	66,001,091.14	1,289,976,397.64
2. Accumulated Depreciation						
2.1 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
2.2 Increased in current year	3,793,798.68	5,656,822.10	26,258,095.57	629,779.74	2,811,356.79	39,149,852.88
2.2.1 Accrual	3,793,798.68	5,656,030.76	26,258,095.57	629,779.74	2,811,356.79	39,149,061.54
2.2.2 Impact of changes in exchange rates		791.34				791.34
2.3 Decreased in current year	1,143,424.66	25,266,108.24	172,913,981.95	2,192,462.16	2,119,621.41	203,635,598.42
2.3.1 Disposal or scrap	690,830.01	24,557,742.16	172,170,545.06	2,160,463.96	1,786,471.06	201,366,052.25
2.3.2 Impact of changes in exchange rates	452,594.65	708,366.08	743,436.89	31,998.20	333,150.35	2,269,546.17
2.4 Balance as at 31/12/2017	47,947,486.73	83,327,368.17	870,728,389.83	14,043,317.72	62,308,483.21	1,078,355,045.66
3. Impairment allowance						
3.1 Balance as at 31/12/2016		22,351,922.28	21,410,291.72	5,594.19	182,883.96	43,950,692.15
3.2 Increased in current year						
3.2.1 Accrual						
3.2.2 Impact of changes in exchange rates						

Items	Houses and buildings	Machineries	Electronic device, modules and others	Vehicles	Improvement expense of leased fixed assets	Total
3.3 Decreased in current year		3,647,721.64	1,886,767.52	660.98	155,502.08	5,690,652.22
3.3.1 Disposal or scrap		3,553,098.66	1,871,125.73	356.88	155,502.08	5,580,083.35
3.3.2 Impact of changes in exchange rates		94,622.98	15,641.79	304.10		110,568.87
3.4 Balance as at 31/12/2017		18,704,200.64	19,523,524.20	4,933.21	27,381.88	38,260,039.93
4. Carrying amount						-
4.1 Carrying amount as at 31/12/2017	44,031,827.92	36,233,668.37	85,390,695.45	4,039,894.26	3,665,226.05	173,361,312.05
4.2 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

6.12.2 Fixed assets with pending ownership registration

Items	Carrying amount	Reason for pending
Lvyuan three country villa	599,456.40	
Qingying garden	171,132.14	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.

6.13 Construction in progress

Items	Carrying amounts as at 31/12/2017			Carrying amounts as at 31/12/2016		
	Carrying amounts	Impairment	Net carrying amounts	Carrying amounts	Impairment	Net carrying amounts
Sporadic project	2,059,623.18		2,059,623.18	269,633.08		269,633.08
Total	2,059,623.18		2,059,623.18	269,633.08		269,633.08

6.14 Intangible assets

Items	Land rights	Software	Total
1. Cost:			
1.1 Balance as at 31/12/2016	18,402,842.68	23,523,906.41	41,926,749.09
1.2 Increased in current year		9,920,613.50	9,920,613.50
1.2.1 Purchase		9,910,219.30	9,910,219.30

Items	Land rights	Software	Total
1.2.2 Impact of changes in exchange rates		10,394.20	10,394.20
1.3 Decreased in current year	603,482.13		603,482.13
1.3.1 Disposal			
1.3.3 Impact of changes in exchange rates	603,482.13		603,482.13
1.4 Balance as at 31/12/2017	17,799,360.55	33,444,519.91	51,243,880.46
2. Accumulated amortization			
2.1 Balance as at 31/12/2016	2,548,872.23	15,537,599.74	18,086,471.97
2.2 Increased in current year	586,895.80	3,235,257.64	3,822,153.44
2.2.1 Accrual	586,895.80	3,233,621.12	3,820,516.92
2.2.2 Impact of changes in exchange rates		1,636.52	1,636.52
2.3 Decreased in current year	166,133.96		166,133.96
2.3.1 Accrual			
2.3.2 Impact of changes in exchange rates	166,133.96		166,133.96
2.4 Balance as at 31/12/2017	2,969,634.07	18,772,857.38	21,742,491.45
3. Carrying amount			
3.1 Carrying amount as at 31/12/2017	14,829,726.48	14,671,662.53	29,501,389.01
3.2 Carrying amount as at 31/12/2016	15,853,970.45	7,986,306.67	23,840,277.12

6.15 Long-term deferred charge

Items	Carrying amount as at 31/12/2016	Increase during the current year	Amortisation for the current year	Other decrease during the current year	Carrying amount as at 31/12/2017
Telecommunications engineering	69,866.41		50,933.44		18,932.97
Houses and buildings renovation expenses	4,072,375.78	1,306,350.44	1,301,538.30		4,077,187.92
Wall projects of 3 phases		318,684.58	26,557.05		292,127.53
Total	4,142,242.19	1,625,035.02	1,379,028.79		4,388,248.42

6.16 Deferred tax assets and deferred tax liabilities**6.16.1 Without offsetting deferred tax assets**

Items	Carrying amount as at 31/12/2017		Carrying amount as at 31/12/2016	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment allowance	75,021,501.16	11,604,071.98	90,927,159.61	14,054,185.03
Accrued expenses	10,687,842.77	1,859,681.61	16,244,337.85	2,785,902.38
Unrealised profits from intragroup transactions	812,548.04	203,137.01	694,807.76	173,701.94
Payroll liability	236,457.93	40,197.85	521,002.29	88,570.39
Accumulated depreciation of fixed assets			14,669.59	2,493.83
Undistributed deficit	35,896,354.02	8,974,088.51		
Others	7,683.59	1,306.21		
Total	122,662,387.51	22,682,483.17	108,401,977.10	17,104,853.57

6.16.2 Without offsetting deferred tax liabilities

Items	Carrying amount as at 31/12/2017		Carrying amount as at 31/12/2016	
	Taxable temporary difference	Deferred tax assets	Taxable temporary difference	Deferred tax assets
Accumulated depreciation of fixed assets	3,311,438.01	827,859.50	3,024,559.40	756,139.85
Held for trading financial assets	3,925,850.00	588,877.50		
Others	86,871.08	14,768.08	31,303.41	5,321.58
Total	7,324,159.09	1,431,505.08	3,055,862.81	761,461.43

6.16.3 Details of unrecognised deferred tax assets

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Impairment allowance for assets	13,238,136.21	13,985,606.70
Accrued expenses	20,520,490.27	21,476,401.95
Payroll liability	1,842,179.97	1,946,095.13
Undistributed deficit	96,571,791.11	98,961,110.41
Total	132,172,597.56	136,369,214.19

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 recognised as deductible temporary differences and recoverable losses.

6.16.4 The deductible losses of unrecognised deferred tax assets shall be matured in the following years

Year	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016	Note
Year 2017		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	21,145,780.79	21,145,780.79	
Year 2022	8,186,639.77		
year 2023 to 2027	24,616,317.22	11,473,394.47	
Total	96,571,791.11	90,411,629.76	

6.17 Other non-current assets

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Prepaid mold fee	877,801.58	735,106.87
Prepaid facilities etc.	20,338,977.00	513,166.36
Total	21,216,778.58	1,248,273.23

6.18 Short-term loan

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Credit loan	10,832,951.89	
Total	10,832,951.89	

6.19 Notes payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Bank acceptance	12,222,252.77	16,751,704.93
Commercial acceptance	7,801,896.38	6,500,000.00
Total	20,024,149.15	23,251,704.93

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

6.20 Accounts payable

6.20.1 Detail for accounts payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Within 1 year	580,224,062.25	584,203,266.68
Over 1 year	3,316,167.11	5,215,192.25
Total	583,540,229.36	589,418,458.93

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

Creditors	Amounts outstanding as at 31/12/2017	Reason(s) for unsettlement
Ningbo Chaochao Electrical Equipment Co., Ltd.	500,237.01	Quality disputes
Total	500,237.01	

6.21 Advances from customers

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Within 1 year	6,124,044.24	6,763,325.48
Over 1 year	5,537,930.64	4,423,698.48
Total	11,661,974.88	11,187,023.96

6.22 Employee benefits payable**6.22.1 Disclosure by classification**

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Short-term employee benefits	45,457,345.85	256,748,449.63	258,226,560.84	43,979,234.64
2. Post-employment benefits	161,027.85	11,538,096.31	10,874,857.03	824,267.13
3. Termination benefits	53,125.00	2,930,591.66	2,983,716.66	
Total	45,671,498.70	271,217,137.60	272,085,134.53	44,803,501.77

6.22.2 Disclosure by classification of short-term employee benefits

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Wages, salaries and subsidies	33,840,441.21	228,374,966.00	230,882,661.44	31,332,745.77
2. Employee welfare	1,890.16	12,008,105.25	12,008,553.83	1,441.58
3. Social insurance:	524,878.81	10,498,005.47	9,862,496.86	1,160,387.42
Including: Medical insurance	479,652.00	7,976,810.39	7,482,473.16	973,989.23
Employment injury insurance	407.65	2,065,329.02	1,928,983.54	136,753.13
Maternity insurance	44,819.16	455,866.06	451,040.16	49,645.06
4. Housing provident fund	9,090,565.22	5,154,179.80	4,971,492.17	9,273,252.85
5. Labour union fee and employee education fee		376,190.57	376,190.57	
6. Short-term paid absences	1,999,570.45	337,002.54	125,165.97	2,211,407.02
Total	45,457,345.85	256,748,449.63	258,226,560.84	43,979,234.64

6.22.3 Disclosure by defined contribution plan

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Basic pension	160,408.63	11,190,073.56	10,527,362.26	823,119.93
2. Unemployment insurance	619.22	348,022.75	347,494.77	1,147.20
Total	161,027.85	11,538,096.31	10,874,857.03	824,267.13

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

6.23 Taxes payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Business tax		784,938.20
Corporate income tax		12,621,020.07
Personal income tax	516,590.25	463,263.27
Education surcharge	692,945.25	1,008,596.50
Urban maintenance and construction surcharge	677,699.31	966,427.13
Others	937,486.84	1,120,822.94
Total	2,824,721.65	16,965,068.11

6.24 Interest payables

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Interests on short-term borrowings	1,448.76	

6.25 Other payables

6.25.1 Detail for other payables

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Within 1 year	42,618,980.95	50,629,928.01
Over 1 year	8,519,777.56	7,781,735.18
Total	51,138,758.51	58,411,663.19

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

Items	Carrying amount as at 31/12/2017	Reason(s) for unsettlement
Mold fees	670,452.72	Generation advances, unpaid
Deposit	7,286,924.60	Return upon termination of contract
Total	7,957,377.32	

6.26 Long-term employee benefits payable**6.26.1 Disclosure by classification**

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
1. Post-employment benefits - net liabilities of defined benefit plans	156,540.09	187,928.74
Total	156,540.09	187,928.74

6.26.2 Movement of defined benefit plan

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
1. Balance as at 31/12/2016	187,928.74	65,990.52
2. Defined benefit cost recognised in profit or loss in the current period	53,493.47	138,780.09
3. Defined benefit cost recognised in other comprehensive income	-61,376.52	25,083.69
4. Other movements	-23,505.60	-41,925.56
4.1 Consideration payment at the time of settlement		
4.2 Benefit paid	-26,585.76	-37,896.78
4.3 Contribution by employees		
4.4 Others	3,080.16	-4,028.78
5. Balance as at 31/12/2017	156,540.09	187,928.74

6.27 Special payable

Items	Balance as at 31/12/2016	Increased in current year	Decreased in current year	Balance as at 31/12/2017
First phase relocation compensation for TKS		114,801,047.00	5,663,268.72	109,137,778.28
Total		114,801,047.00	5,663,268.72	109,137,778.28

6.28 Share capital

Items	Carrying amount as at 31/12/2016	Movements during the current reporting period (+、—)					Carrying amount as at 31/12/2017
		Share issue	Bonus issue	Conversion from reserves	Others	Subtotal	
Total amount of floating shares	185,391,680.00						185,391,680.00

6.29 Capital reserves

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
Share premium	210,045,659.80			210,045,659.80
Other capital reserves	86,763,305.99			86,763,305.99
Total	296,808,965.79			296,808,965.79

6.30 Other comprehensive income

Items	Carrying amount as at 31/12/2016	Total amount in current year					Carrying amount as at 31/12/2017
		Amount for the year before tax	Less: previously recognised in other comprehensive income transferred 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	15,614.61	61,376.53		10,434.01	38,206.89	12,735.63	53,821.50
Including: Movements from re-measurement of net liabilities(assets) of defined benefit plan	15,614.61	61,376.53		10,434.01	38,206.89	12,735.63	53,821.50
The share of other comprehensive income that cannot be reclassified into profit or loss under the equity method							
2. Other comprehensive	8,476,287.84	-5,213,717.99			-3,910,288.47	-1,303,429.52	4,565,999.37

Items	Carrying amount as at 31/12/2016	Total amount in current year					Carrying amount as at 31/12/2017
		Amount for the year before tax	Less: previously recognised in other comprehensive income transferred 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							
Gains and losses from changes in fair value of available-for-sale financial assets							
Gains and losses from available-for-sale financial assets that is reclassified from held-to-maturity investments							
Effective portion of cash flow hedge gain and losses							

Items	Carrying amount as at 31/12/2016	Total amount in current year					Carrying amount as at 31/12/2017
		Amount for the year before tax	Less: previously recognised in other comprehensive income transferred into profit or loss	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	
Foreign exchange difference on translation of financial Statements	8,476,287.84	-5,213,717.99			-3,910,288.47	-1,303,429.52	4,565,999.37
Total	8,491,902.45	-5,152,341.46		10,434.01	-3,872,081.58	-1,290,693.89	4,619,820.87

6.31 Surplus reserves

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
Statutory surplus reserve	29,946,218.17	3,942,418.73		33,888,636.90
Total	29,946,218.17	3,942,418.73		33,888,636.90

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.

6.32 Retained earnings

Items	Current year	Prior year
Pre-adjustment balance brought forward	90,217,504.90	69,510,872.20
Total adjustment to retained earnings b/f (+, -)		
Retained earnings b/f after adjustment	90,217,504.90	69,510,872.20
Add: Net profit attributable to shareholders of the parent	26,077,139.64	48,229,497.36
Less: Appropriation to statutory surplus reserve	3,942,418.73	8,983,696.66
Appropriation to discretionary surplus reserve		
General reserve		
Ordinary dividends declared	22,247,001.60	18,539,168.00
Bonus issue		
Balance carrying forward	90,105,224.21	90,217,504.90

6.33 Operating revenues and costs**6.33.1 General information**

Items	Current year	Prior year
Principal operating income	1,809,802,201.43	1,756,523,175.58
Other operating income	62,944,740.82	56,758,046.84
Total	1,872,746,942.25	1,813,281,222.42
Principal operating cost	1,569,714,013.29	1,465,963,830.11
Other operating cost	34,607,522.09	29,137,307.15
Total	1,604,321,535.38	1,495,101,137.26

6.33.2 Revenues from principal operating activities by business

Industry	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Household appliances industry	1,809,802,201.43	1,569,714,013.29	1,756,523,175.58	1,465,963,830.11
Total	1,809,802,201.43	1,569,714,013.29	1,756,523,175.58	1,465,963,830.11

6.33.3 Revenues from principal operating activities by products

Products	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Catering and Cooking	1,161,125,429.84	997,633,196.79	1,170,980,668.15	963,867,693.01
Home helper	461,813,961.36	415,750,737.97	389,534,553.10	345,624,878.77
Tea/Coffee makers	176,410,642.73	148,738,310.04	185,543,854.30	150,627,128.90
Others	10,452,167.50	7,591,768.49	10,464,100.03	5,844,129.43
Total	1,809,802,201.43	1,569,714,013.29	1,756,523,175.58	1,465,963,830.11

6.33.4 Revenues from principal operating activities by regions

Area	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Australia	101,639,152.71	83,665,542.87	103,477,102.39	83,003,731.68
Africa	19,130,388.79	15,797,378.56	13,773,237.72	11,337,729.75
America	719,844,144.74	641,758,924.89	729,919,780.40	621,521,499.18
Europe	553,273,795.67	483,241,649.98	465,703,470.88	386,315,075.94
Asia	415,914,719.52	345,250,516.99	443,649,584.19	363,785,793.56
Total	1,809,802,201.43	1,569,714,013.29	1,756,523,175.58	1,465,963,830.11

6.33.5 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 2017	987,058,142.55	52.71
Year 2016	953,101,030.51	52.56

6.34 Business tax and surcharges

Items	Current year	Prior year
Business tax		978,460.80
Education surcharge	3,242,973.79	2,883,132.93
Urban maintenance and construction tax	3,305,623.83	2,930,728.15
Property tax	2,450,459.09	2,340,287.39
Land holding tax	1,074,052.10	1,071,751.62
Stamp duty	1,195,176.07	861,738.01
Others	1,506.49	231,504.26
Total	11,269,791.37	11,297,603.16

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

6.35 Sales expenses

Items	Current year	Prior year
Export expenses	33,161,716.76	34,333,022.30
Employee remunerations	18,338,471.17	20,622,197.70
Claims experiment expenses	3,721,341.24	14,691,010.68
Advertisements charges and sales promotion	5,308,303.88	7,295,000.38
Sales commission and after sales service fees	3,791,233.21	4,045,201.66
Travel expenses	2,253,795.54	2,494,667.62
Transportation charges	1,237,919.49	1,536,538.04
Administrative expenses	932,845.98	1,044,003.11
Others	419,070.06	664,908.04
Assets lease expenses	389,144.26	263,791.20
Total	69,553,841.59	86,990,340.73

6.36 General and administrative expenses

Items	Current year	Prior year
R&D expenses	71,125,828.45	68,602,455.27
Employee remunerations	33,618,670.19	34,883,562.15
Rental expenses	14,230,834.54	15,400,402.77
Depreciation and amortization of assets	11,029,283.22	12,603,582.98
Others	8,867,316.91	7,583,901.01

Items	Current year	Prior year
Maintenance expenses	5,860,663.41	5,601,979.73
Travel expenses	3,468,420.36	4,155,796.67
Consultant fees	3,955,838.01	3,565,995.02
Administrative expenses	2,229,860.44	2,914,988.44
Insurance expenses	2,234,327.55	1,985,996.08
Total	156,621,043.08	157,298,660.12

6.37 Financial costs

Items	Current year	Prior year
Interest expenses	1,003,531.25	595,664.51
Less: Interest income	6,408,196.50	5,971,578.83
Exchange gain or loss	26,583,156.56	-28,195,831.56
Bank charges	1,444,467.32	2,060,643.20
Total	22,622,958.63	-31,511,102.68

6.38 Impairment loss on assets

Items	Current year	Prior year
Impairment loss on receivables	504,234.07	4,396,757.51
Impairment loss on inventories	10,411,727.11	24,189,654.85
Impairment loss on fixed assets		9,390,983.45
Total	10,915,961.18	37,977,395.81

6.39 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	3,925,850.00	
Including: Derivative financial assets	3,925,850.00	
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss		8,462,500.00
Including: Derivative financial assets		8,462,500.00
Total	3,925,850.00	8,462,500.00

6.40 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	7,912,190.00	-7,464,610.60
Investment income from the available-for-sale financial assets during the holding period		8,474.00
Investment income from financial products	12,159,360.35	10,151,666.66
Total	20,071,550.35	2,695,530.06

6.41 Income from asset disposal

Items	Current year	Prior year	Included in current year non-recurring profit and loss
Income from fixed asset disposal	773,823.55	313,735.43	773,823.55
Total	773,823.55	313,735.43	773,823.55

6.42 Other income

Items	Current year	Prior year	Included in current year non-recurring profit and loss
Export credit insurance subsidies	978,862.00		978,862.00
Policy-based relocation subsidies	414,127.89		414,127.89
Patent subsidies	713,600.00		713,600.00
Technology innovation subsidies	300,000.00		300,000.00
Exhibition subsidies	119,700.00		119,700.00
Employment stabilization subsidies	117,234.44		117,234.44
Technology insurance subsidy funds	112,037.00		112,037.00
Increasing production&efficiency reward	53,524.00		53,524.00
Total	2,809,085.33		2,809,085.33

6.43 Non-operating income

Items	Current year	Prior year	Included in current year non-recurring profit and loss
Income from indemnities	436,996.40	2,145,827.32	436,996.40
Government grants (see the following table for detail: Details for government grants)	5,250,340.83	3,768,118.00	5,250,340.83
Unable to pay overdue accounts payable	979,964.67	656,716.74	979,964.67
Others	2,256,585.86	2,812,044.47	2,256,585.86
Total	8,923,887.76	9,382,706.53	8,923,887.76

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

Government assistance	Current year	Prior year	Related with assets/income
Government relocation compensation	5,249,140.83		Related with income
Patent subsidies		102,400.00	Related with income
Technology innovation subsidies		300,000.00	Related with income
Technology insurance subsidy funds		81,751.00	Related with income
Increasing production&efficiency reward		100,000.00	Related with income
Other subsidies	1,200.00	87,100.00	Related with income
Municipal industrial reward		1,000,000.00	Related with income
Export industry restructuring and upgrading		836,053.00	Related with income
Smart manufacturing project funding		507,500.00	Related with income
Export credit insurance government subsidies		403,314.00	Related with income
Haixi construction platform project government subsidies		350,000.00	Related with income
Total	5,250,340.83	3,768,118.00	

6.44 Non-operating expenses

Items	Current year	Prior year	Included in current year non-recurring profit and loss
Loss on scrapping of non-current assets	326,291.88	66,565.75	326,291.88
Fines	25,538.41	187,461.13	25,538.41
External donations	656,877.78	1,987.78	656,877.78
Losses from relocation	5,249,140.83		5,249,140.83
Others		40,922.71	
Total	6,257,848.90	296,937.37	6,257,848.90

6.45 Income tax expenses**6.45.1 General information**

Items	Current year	Prior year
Current income tax calculated in accordance with relevant tax law	3,449,807.46	15,347,451.97
Deferred tax	-4,868,239.44	-1,613,317.65
Total	-1,418,431.98	13,734,134.32

6.45.2 Reconciliation of account profit and income tax expenses

Items	Current year
Profit before tax	27,688,159.11
Income tax computed in accordance with the applicable tax rate	6,922,039.78
Impact of differing tax rates applicable to subsidiaries	-4,666,548.83
Impact of adjustment for prior period tax expenses	-135,907.68
Impact of non-taxable income	-201,334.97
Impact of non-deductible costs, expenses and losses	1,367,917.82
Impact of utilisation of prior period deductible temporary differences and taxable temporary differences for which no deferred tax asset has been recognised	-8,974,088.51
Impact of current period deductible temporary differences and taxable temporary differences for which no deferred tax asset has been recognised	6,662,087.18
Changes in balance of prior year deferred tax asset/liabilities due to tax rate adjustment	
Impact of additional deduction for R&D expenses	-2,392,596.77
Income tax expenses	-1,418,431.98

6.46 Other comprehensive income

Please see Note 6.30 for details.

6.47 Notes to the statement of cash flows**6.47.1 Other cash received relating to operating activities**

Items	Current year	Prior year
Government grants	2,810,285.33	3,768,118.00
Interests income	6,408,184.07	1,956,694.06
Rent income	36,914,752.13	31,485,574.48
Funds in current account and others	22,922,827.44	27,866,704.24
Total	69,056,048.97	65,077,090.78

6.47.2 Other cash payments relating to operating activities

Items	Current year	Prior year
Penalties and donations paid	82,416.19	5,444.08
Bank charges paid by cash	1,412,114.51	2,060,643.20
Sales expenses and general and administrative expenses paid by cash	125,476,175.58	137,846,697.24
Current accounts and others	34,991,128.58	24,209,006.64
Total	161,961,834.86	164,121,791.16

6.47.3 Other cash received relating to investing activities

Items	Current year	Prior year
To recover the maturity time deposits that for purpose to earn interest income in financial institutions	612,462,283.65	405,296,840.00
Policy-based relocation compensation	114,801,047.00	
Total	727,263,330.65	405,296,840.00

6.47.4 Other cash payments relating to investing activities

Items	Current year	Prior year
Deposits in financial institutions for the purpose of earning interest income	601,160,897.85	336,198,225.80
Total	601,160,897.85	336,198,225.80

6.47.5 Other cash received relating to financing activities

Items	Current year	Prior year
Capital absorbed and loan between related parties	6,740,000.00	4,951,200.00
Total	6,740,000.00	4,951,200.00

6.47.6 Other cash payments relating to financing activities

Items	Current year	Prior year
Capital absorbed and loan between related parties	6,740,000.00	4,951,200.00
Total	6,740,000.00	4,951,200.00

6.48 Supplementary information to the statement of cash flows**6.48.1 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	29,106,591.09	62,950,588.35
Add: Loss on asset impairment	10,915,961.18	37,977,395.81
Depreciation of fixed assets, oil and gas assets, biological assets held for production	43,860,463.47	48,377,955.59
Amortisation of intangible assets	3,820,516.92	1,925,755.09
Amortisation of Long-term deferred expenditure	1,379,028.79	1,574,365.17
Loss on non-current assets disposal (gain presented by "-" prefix)	-773,823.55	-313,735.43
Loss on scrap of fixed assets (gain presented by "-" prefix)	326,291.88	66,565.75
Loss on fair value changes (gain presented by "-" prefix)	-3,925,850.00	-8,462,500.00
Financial costs (gain presented by "-" prefix)	13,534,089.63	-15,761,795.51
Investment loss (gain presented by "-" prefix)	-20,071,550.35	-2,695,530.06
Decrease of deferred tax assets (increase presented by "-" prefix)	-5,577,629.60	-2,122,436.40
Increase of deferred tax liabilities (increase presented by "-" prefix)	670,043.65	518,755.75
Decrease of inventories (increase presented by "-" prefix)	17,576,250.53	16,490,012.62
Decrease of operating receivables (increase presented by "-" prefix)	1,694,639.29	-36,976,858.25
Increase of operating payables (decrease presented by "-" prefix)	-22,819,769.30	4,619,381.58
Others	-	
Net cash flows generated from operating activities	69,715,253.63	108,167,920.06
② Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible loan due within one year		
Fixed assets acquired under financial lease		
③ Movement of cash and cash equivalents:		
Cash as at 31/12/2017	564,381,960.88	738,195,729.53
Less: Cash as at 31/12/2016	738,195,729.53	675,824,861.29
Add: Cash equivalents as at 31/12/2017		
Less: Cash equivalents as at 31/12/2016		
Net increase of cash and cash equivalents	-173,813,768.65	62,370,868.24

6.48.2 Composition of cash and cash equivalents

Items	Current year	Prior year
①Cash	564,381,960.88	738,195,729.53
Including: Cash at hand	800,792.90	703,668.78
Demand bank deposit	563,581,167.98	737,492,060.75
Demand other monetary funds		
Demand deposit in the Central Bank		
Deposit in peer firms		
Loan to peer firms		
②Cash equivalents		
Including: Debt instrument matured within three months		
③Cash and cash equivalents as at 31/12/2017	564,381,960.88	738,195,729.53
Including: restricted cash and cash equivalents in parent company or subsidiary		

Note 1: 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 CNY11,301,385.80 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 2016.

6.49 Foreign currency monetary items

6.49.1 Foreign currency monetary items

Items	Original amount as at 31/12/2017	Foreign exchange rate	Translated amount as at 31/12/2017
Monetary funds			
Including: -HKD	45,085.64	0.835910	37,687.54
-USD	31,279,183.44	6.534200	204,384,451.66
-JPY	35,476,204.14	0.057883	2,053,469.12
-EUR	248,927.31	7.802300	1,942,214.84
-FRF	6.99	6.667142	46.67
-GBP	9,519.60	8.779200	83,574.49
-IDR	7,226,211,286.31	0.000482	3,483,033.84
-HUF	80,790.62	0.025170	2,033.50
-NTD	976,244.15	0.218981	213,778.92

Items	Original amount as at 31/12/2017	Foreign exchange rate	Translated amount as at 31/12/2017
Total			212,200,290.58
Accounts receivable			
Including: -USD	38,873,960.96	6.534200	254,010,235.70
-JPY	33,728,075.00	0.057883	1,952,282.17
-EUR	60,779.80	7.802300	474,222.23
-IDR	3,272,640.00	0.000482	1,577.41
-Total			256,438,317.51
Other receivables			
Including: -USD	271,613.93	6.5342	1,774,775.82
-EUR	3,000.00	7.8023	23,406.90
-IDR	1,258,012,815.14	0.000482	606,362.18
-NTD	1,417,900.00	0.218981	310,492.70
Total			2,715,037.60
Accounts payable			
Including: -USD	8,762,519.14	6.534200	57,256,052.56
-EUR	260,128.19	7.802300	2,029,598.18
-HKD	984,026.44	0.835910	822,557.54
-JPY	14,840,399.72	0.057883	859,006.86
-IDR	491,266,059.35	0.000482	236,790.24
-NTD	3,615,567.00	0.218981	791,740.48
Total			61,995,745.86
Other payables			
Including: -USD	434,327.42	6.534200	2,837,988.76
-JPY	59,579.00	0.057883	3,448.61
-HKD	103,769.07	0.835910	86,741.60
-IDR	1,598,026,556.02	0.000482	770,248.80
-NTD	1,551,843.00	0.218981	339,823.55
Total			4,038,251.32

6.49.2 Description of overseas operating entities

The Company's holding sub-subsidiaries company Pt. Star Comgistic Indonesia locates at West Java province in Indonesia, due to Pt. Star Comgistic Indonesia is mostly settled in US dollars by usual purchases and sales, so

that it adopts the US dollar as its functional currency.

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

The Company's holding sub-subsidiaries company Tsannkuen Edge Intelligence Co., Ltd. locates at Taiwan, due to Tsannkuen Edge Intelligence Co., Ltd. is mostly settled in NTD by usual purchases and sales, so that it adopts the NTD as its functional currency.

The Company's holding sub-subsidiaries company East Sino Development Limited locates at HongKong, due to East Sino Development Limited is mostly settled in HKD by usual purchases and sales, so that it adopts the HKD as its functional currency.

The Company's holding sub-subsidiaries company Orient Star Investments Limited locates at HongKong, due to Orient Star Investments Limited is mostly settled in USD by usual purchases and sales, so that it adopts the USD as its functional currency.

Note 7: The equity in other main entities**7.1 The equity in subsidiaries****7.1.1 The construction of the group**

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
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 through establishment
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
East Sino Development Limited. (East Sino)	Hong Kong	Hong Kong	Investment, Trading	75.00	100.00	Acquired through business combination under common

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
						control
Pt.Star Comgistic Indonesia. (SCI)	Indonesia	Indonesia	Manufacture home electronic appliance	75.00	100.00	Acquired through business combination under common control
Pt.Star Comgistic 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 uncommon control
Tsannkuen Edge Intelligence Co., Ltd.	Taipei	Taipei	Industrial design	75.00	100.00	Acquired through business combination under common control

7.1.2 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	12,425,020.68	10,103,416.93	322,203,839.92
TKS	53.125	-3,519,403.09		42,959,493.72
SCI	25.00	-1,785,459.75		21,658,786.42
TKEI	25.00	-3,040,548.05		671,263.22

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

Subsidiaries	Balance as at 31/12/2017					
	Current assets	Non-current assets	Total	Current liabilities	Non-current liabilities	Total
TKL	1,569,688,493.26	396,137,339.10	1,965,825,832.36	676,421,595.20	588,877.50	677,010,472.70
TKS	180,634,383.82	11,938,656.68	192,573,040.50	2,570,332.87	109,137,778.28	111,708,111.15
SCI	62,295,711.26	72,303,711.81	134,599,423.07	47,136,417.88	827,859.50	47,964,277.38
TKEI	4,755,678.58	4,784,549.74	9,540,228.32	6,683,867.35	171,308.17	6,855,175.52

(Continued)

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		708,973,640.65
TKS	72,271,032.35	18,580,465.06	90,851,497.41	3,361,809.30		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	Total amount during current year			
	Revenues	Net profit	Total amount of comprehensive income	Cash flow relating to operating activities
TKL	1,758,251,614.69	49,700,082.70		98,541,067.11
TKS	889,026.45	-6,624,758.76		-5,653,231.43
SCI	122,351,454.31	-7,141,839.01		-1,963,774.64
TKEI	9,813,541.51	-12,162,192.24		-11,595,100.18

(Continued)

Subsidiaries	Total amount during prior 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		293,337,298.54
TKS	1,435,263.70	-2,039,181.82		1,633,918.11
SCI	74,066,190.49	-18,855,657.81		-9,974,519.40
TKEI	1,809,707.95	-9,089,652.03		-6,893,693.10

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

The sub-subsidiary of the Company - SCI increased capital in its subsidiary, Pt.Star Comgistic Property Development Indonesia, SCI owns 99.56% of Pt.Star Comgistic Property Development Indonesia and East Sino Development Limited owns the remaining 0.44% after the capital increase.

7.3 The equity in joint ventures or associates

7.3.1 Insignificant enterprise information of associates

Company name	Place of registration	Nature of business	Registered capital	Paid capital	Shareholding (%)		Acquired method
					Direct	Indirect	
Xiamen travel canxing (Xiamen) International Travel Service Co., Ltd.	Xiamen	Leasing and business services	CNY10,000,000.00	0.00	22.00	0.00	Acquired through establishment

Note: Xiamen travel canxing (Xiamen) International Travel Service Co., Ltd. without actual operation, is for cancellation process.

Note 8: 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.

8.1 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.

8.1.1 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, SCPDI purchases 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 2017, 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 31/12/2017	Carrying amount as at 31/12/2016
Monetary funds	212,200,290.58	373,034,883.47
Accounts receivable	256,438,317.51	247,566,867.43
Other receivables	2,715,037.60	991,675.55
Accounts payable	61,995,745.86	52,464,873.92
Other payables	4,038,251.32	2,965,091.63

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

8.1.2. 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 2017.

In order to reduce credit risk, the Company set up a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that the necessary measures be taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure recognised 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.

8.1.3 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 9: Disclosure of fair value**9.1 Year-end fair value of assets&liabilities that are measured by fair value**

Items	Fair value as of 31/12/2017			
	First level measurement of Fair Value	Second level measurement of Fair Value	Third level measurement of Fair Value	Total
1. Continuous measurement of Fair Value				
1.1 Financial assets measured by fair value whose movement included in current period				
1.1.1 Transactional financial asset				
1.1.1.1 Liabilities investment				
1.1.1.2 Equity investment				
1.1.1.3 Derivative financial asset	3,925,850.00			3,925,850.00
Total amount of asset that is continually measured by fair value	3,925,850.00			3,925,850.00
1.2 Transactional financial liabilities				
Of which: Issuance of transactional bonds				
Derivative financial liabilities				
Others				
Total amount of liabilities that are continually measured by fair value				

9.2 The basis for determining the market price of continuous and non-continuous fair value measurement items of the first level

Unadjusted quotations obtained on active markets from the same assets or liabilities on the balance sheet date.

Note 10: Related parties and related party transaction**10.1 Details of the parent**

Parents	Place of registration	Nature of business	Registered capital	Shareholding in the Company %	Voting right in the Company %
STAR COMGISTIC CAPITAL CO.,LTD.	Taiwan	Manufacture and sales electrical equipment	NTD3,000,000,000.00	42.90	44.68

10.2 Subsidiaries

See Note 7.1 "The equity in subsidiaries".

10.3 Details of the Company's joint ventures and associates

See Note 7.3 Equity in joint ventures and associates.

Joint ventures and associates	Relationship
Xiamen travel canxing (Xiamen) International Travel Service Co., Ltd.	Associates

10.4 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 Wuhuama Restaurant Management Co., Ltd.	Ultimate holding company have equity
TsannKuen Enterprise Co., Ltd.	Same actual controller
Kuaisan Electric Business Services Limited	Same actual controller
Gold mine chain enterprise Co., Ltd	Same actual controller
Canxing Wenchuang Co., Ltd	Same actual controller
Daxin Environmental 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
Sion Global Ltd.	Same actual controller
Australia Star Comgistic Co.,Ltd.	Same ultimate holding company

10.5 Transactions with related parties

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

10.5.1.1 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	37,057,634.04	38,631,228.16
TsannKuen Japan Co., Ltd.	Purchase of goods		3,467.98
TsannKuen Enterprise Co., Ltd.	Purchase of goods	29,724.20	66,903.71
Canxing Wenchuang Co., Ltd	Purchase of goods		3,769.51
Daxin Environmental Technology Co., Ltd	Purchase of goods		618.90
Fuji Printing Low Carbon Co., Ltd.	Purchase of goods		10,850.76
Yueyi Food & Beverage Co., Ltd	Purchase of goods		7,069.49
Kuaisan Electric Business Services Limited	Purchase of goods	624.36	
Rifafang co., Ltd	Purchase of goods		4,401.41
Gold mine chain enterprise Co., Ltd	Purchase of goods	4,268.22	
STAR COMGISTIC CAPITAL CO., LTD.	Purchase of goods	21,236.60	27,175.49
Total		37,113,487.42	38,755,485.41

10.5.1.2 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	13,557,916.38	15,583,343.43
Canxing International Travel Service Co., Ltd	Sale of goods		19,659.77
TsannKuen Enterprise Co., Ltd.	Sale of goods		39,319.54
Gold mine chain enterprise Co., Ltd	Sale of goods	84,968.18	704,153.48
Total		13,642,884.56	16,346,476.22

10.5.2 Lease between related parties

10.5.2.1 The Company is as the lessor

Leasee	Classification	Lease rental recognised in current year	Lease rental recognised in prior year
Xiamen Wuhuama Restaurant Management Co., Ltd.	Property	65,520.00	65,520.00
Total		65,520.00	65,520.00

10.5.2.2 The Company is as the leasee

Leasee	Classification	Lease rental recognised in current year	Lease rental recognised in prior year
STAR COMGISTIC CAPITAL CO., LTD.	Property	1,220,501.04	240,224.18
Total		1,220,501.04	240,224.18

10.5.3 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	Sale of fixed assets	9,868.54	96,577.95
Australia Star Comgistic Co.,Ltd.	Sale of fixed assets	17,529.98	
STAR COMGISTIC CAPITAL CO., LTD.	Sale of fixed assets	3,152.82	
Total		30,551.34	96,577.95
Thermaster Electronic (Xiamen) Ltd.	Purchase of fixed assets	12,820.51	47,008.55
TsannKuen Enterprise Co., Ltd.	Purchase of fixed assets	175,868.44	572,763.48
Kuaisan Electric Business Services Limited	Purchase of fixed assets	36,100.90	
Total		224,789.85	619,772.03

10.5.4 Other transactions with related parties

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Canxing International Travel Service Co., Ltd	Accept service	895,603.06	315,545.34
Kuaisan Electric Business Services Limited	Accept service	44,925.76	34,609.92
TsannKuen Enterprise Co., Ltd.	Provide service	65,706.96	62,673.94

Related parties	Content of transaction	Total amount during current year	Total amount during prior year
Sion Global Ltd.	Money lending	6,740,000.00	
Sion Global Ltd.	Money lending interest	138,656.02	
STAR COMGISTIC CAPITAL CO., LTD.	Money lending		4,951,200.00
STAR COMGISTIC CAPITAL CO., LTD.	Money lending interest		27,808.21
Total		7,884,891.80	5,391,837.41

10.5.5 Remunerations of key management personnels Unit: CNY ten thousands

Items	Total amount during current year	Total amount during prior year
Remunerations of key management personnels	297.25	359.95

10.6 The balance of payables and receivables among related parties

10.6.1 Receivables owed by related parties

Related party	Carrying amount as at 31/12/2017		Carrying amount as at 31/12/2016	
	Carrying amount	Allowance for bad debt	Carrying amount	Allowance for bad debt
Accounts receivable:				
STAR COMGISTIC CAPITAL CO., LTD.	1,265,582.41		2,658,068.80	
Gold mine chain enterprise Co., Ltd			21,717.29	
Total	1,265,582.41		2,679,786.09	
Other receivables:				
TsannKuen Enterprise Co., Ltd.	5,723.50		17,478.11	
STAR COMGISTIC CAPITAL CO., LTD.	204,484.13		201,186.60	
Gold mine chain enterprise Co., Ltd	29,828.69		29,347.65	
Total	240,036.32		248,012.36	

10.6.2 Payables owed to related parties

Related party	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
---------------	----------------------------------	----------------------------------

Related party	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Accounts payable:		
Thermaster Electronic (Xiamen) Ltd.	9,004,478.45	11,632,531.94
Total	9,004,478.45	11,632,531.94
Other payables:		
Thermaster Electronic (Xiamen) Ltd.		55,000.00
Xiamen Wuhuama Restaurant Management Co., Ltd.	23,776.60	23,776.60
TsannKuen Enterprise Co., Ltd.	915.96	1,914.91
STAR COMGISTIC CAPITAL CO., LTD.	29,259.30	15,423.37
Kuaisan Electric Business Services Limited		2,171.23
Total	53,951.86	98,286.11

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 31/12/2017	Carrying amount as at 31/12/2016
The minimum lease payments of irrevocable operating lease contracts:		
1st year after the balance sheet date	3,638.00	3,638.00
2nd year after the balance sheet date	3,638.00	3,638.00
3rd year after the balance sheet date	3,638.00	3,638.00
Subsequent years	120,047.00	123,685.00
Total	130,961.00	134,599.00

11.2 Contingencies

11.2.1 As MTN Products, Inc. / Water Solutions (Hong Kong) Ltd ("MTN / WSL") did not pay the relevant payment in time and fulfill the order according to the contract, the subsidiary of the Company, TsannKuen (Zhangzhou) Enterprise Co., Ltd. submitted the indictment to the SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES on 23 November 2016 to sue MTN / WSL for payment of USD707,522.92 and USD1,402,940 for reserve losses, totaling USD2,110,462.92. As of the reporting date, the case is still pending.

11.2.2 As Philips Lighting (China) Investment Co., Ltd. ("Philips Lighting") did not pay the relevant payment in

accordance with the relevant agreement, the Company's subsidiary TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL), submitted the indictment on 23 November 2016 to Longhai City People's Court, requesting the payment of CNY2,499,658.4. On 12 January 2018, TKL received the first instance judgement from the court that Philips should pay CNY 423,345.63 and overdue interest to TKL. TKL has filed an appeal.

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

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

11.2.4 The subsidiary of the Company - TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL) signed the <Product Supply Agreement> with Xinda Electro mechanics Co., Ltd. (hereafter, Xinda) on 20 July 2009. The validity of the contract is from 1 July 2009 to 30 June 2012. Furthermore, on 1 January 2011, they signed the <TsannKuen(Zhangzhou) Enterprise Co., Ltd. 2011 ED Procurement Contract> and relevant <Special Arrangement Clauses>, and other agreements. According to those agreements, TKL should purchase products from Xinda. TKL rejected to pay for the purchase and terminated those agreements due to the poor quality products from Xinda. On 23 December 2011, Xinda lodged petition for civil litigation to the Intermediate People's Court of Zhangzhou for the order of Intermediate People's Court of Zhangzhou that TKL pay for purchase from Xinda amounting to USD 479,089.06 (CNY 3,071,535.78) immediately together with the liquidated damages for delay payment and resume performance of the agreement (the value of the unperformed agreement amounting to USD 189,423.25).

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

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

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

which the judgement becomes effective, equivalent to CNY3,071,535.78.

b. Plaintiff Xinda and the third party BoLuo Lianyuan industry Co., Ltd. (hereafter Lianyuan) should jointly pay the laquidated damage for CNY1,233,399.70 to TKL within 15 days from the date on which the judgement becomes effective.

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

d. Reject other claims partitioned by the plaintiff Xinda.

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

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

a. Verdict c,d,e from the first judgement remain unchanged.

b. Verdict a from the first judgement changed as: TKL should pay goods payments amount CNY2,375,547.92 Xinda within 15 days from the date on which the judgement becomes effective.

c. Verdict b from the first judgement changed as: Xinda and BoLuo Lianyuan industry Co., Ltd. Should jointly pay TKL the laquidated damage for CNY537,411.84 within 15 days from the date on which the judgement becomes effective.

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

Note 12: Post reporting date events

On March 17, 2018, the 1st Board Meeting of 2018 held by the Company reviewed and approved the profit distribution plan for 2017. Based on the total share capital of 185,391,680 shares as at the end of 2017, cash dividend of CNY0.8 (cash) per 10 shares will be distributed to all shareholders of the Company (Tax included). The profit for distribution of the Company was CNY14,831,334.40. The proposal still needs to be approved by the shareholders' general meeting of the Company.

Note 13: Notes to the main elements of the separate financial statement of the Company**13.1 Accounts receivable****13.1.1 Disclosure by classification**

Items	Balance as at 31/12/2017				
	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					
Accounts receivable portfolio subject to impairment by credit risk:	21,753,323.81	100.00	1,012,264.73	4.69	20,741,059.08
Portfolio by age	21,581,665.45	99.21	1,012,264.73	4.69	20,569,400.72
Portfolio by related parties	171,658.36	0.79	-	-	171,658.36
Accounts receivable of individually insignificance subject to individually assessment for impairment					
Total	21,753,323.81	100.00	1,012,264.73	4.65	20,741,059.08

(Continued)

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					
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	-	-	717,601.16
Accounts receivable of individually insignificance subject to individually assessment for impairment					
Total	31,635,877.38	100.00	1,551,245.00	4.90	30,084,632.38

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

Age	Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	21,501,064.53	931,663.81	4.33
Include: 1 to 90 days	14,307,812.97	-	-
91 to 180 days	6,476,711.09	647,671.11	10.00
181 to 270 days	371,387.67	111,416.30	30.00
271 to 365 days	345,152.80	172,576.40	50.00
1 to 2 years	75,600.92	75,600.92	100.00
2 to 3 years	5,000.00	5,000.00	100.00
Total	21,581,665.45	1,012,264.73	4.69

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

Related parties	Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debt	% of total
Related parties	171,658.36	0.00	0.00
Total	171,658.36	0.00	0.00

13.1.2 Recognition, recovery and reversal of allowance for bad debt

Recovery and reversal of allowance for bad debts is CNY538,980.27 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 CNY21,575,177.79, accounting for the proportion of the total accounts receivable balance as at the end of current year is 99.18%, the total amount of corresponding allowance for bad debts is CNY1,006,619.24.

13.2 Other receivable

13.2.1 Disclosure by classification

Items	Balance as at 31/21/2017				
	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					

Items	Balance as at 31/21/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable portfolio subject to impairment by credit risk:					
Portfolio by age	388,868.17	74.95	46,401.10	11.93	342,467.07
Portfolio by related parties					
Subtotal	388,868.17	74.95	46,401.10	11.93	342,467.07
Other receivable of individually insignificance subject to individually assessment for impairment	130,000.00	25.05			130,000.00
Total	518,868.17	100.00	46,401.10	8.94	472,467.07

(Continued)

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					
Other receivable portfolio subject to impairment by credit risk:					
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			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			266,000.00
Total	597,154.78	100.00	57,470.55	9.62	539,684.23

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

Age	Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	344,019.57	1,552.50	0.45
Include: 1 to 90 days	337,694.57		-
91 to 180 days	1,725.00	172.50	10.00
181 to 270 days	4,600.00	1,380.00	30.00
271 to 365 days			-
1 to 2 years	44,848.60	44,848.60	100.00
Total	388,868.17	46,401.10	11.93

13.2.2 Recognition, recovery and reversal of allowance for bad debt

Recovery of allowance for bad debts is CNY11,069.45 during current year.

13.3 Long-term equity investments

13.3.1 Disclosure by classification

Items	Carrying amount as at 31/12/2017			Carrying amount as at 31/12/2016		
	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		922,914,701.56	922,914,701.56		922,914,701.56
Total	922,914,701.56		922,914,701.56	922,914,701.56		922,914,701.56

13.3.2 Investment for subsidiaries

Items	Carrying amount as at 31/12/2016	Increase during current year	Decrease during current year	Carrying amount as at 31/12/2017	Impairment allowance	Carrying amount of impairment allowance as at 31/12/2017
TKL	921,914,701.56			921,914,701.56		
TKEI	1,000,000.00			1,000,000.00		
Total	922,914,701.56			922,914,701.56		

13.4 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Revenue from principal operating activities	64,570,494.00	58,045,866.61	102,569,449.17	93,314,651.78
Revenue from other operating activities	18,397,408.95	2,340,905.53	18,209,021.52	2,335,534.46
Total operating revenue	82,967,902.95	60,386,772.14	120,778,470.69	95,650,186.24

13.5 Investment income

Items	Current year	Prior year
Disposal of long-term equity investment generated investment income		66,100,670.73
Long-term equity investment income under cost method	30,310,250.78	41,481,472.07
Total	30,310,250.78	107,582,142.80

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	773,823.55	
Tax repayments or waiving of taxes not officially authorized or not with proper authorization		
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)	8,059,426.16	
Cost of monetary funds charged on non-financial institutions accounted for through profit or loss for the current reporting period		
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)		
Gains or losses arising from non-monetary assets exchange		
Gains or losses arising from entrusted assets and investments		
Impairment allowances arising from force majeure, such as natural disasters		
Gain or loss arising from debt restructuring		

Supplemental information	Total amount	Explanation
Restructuring expenses, such as employee settlement and relocation costs and costs of integration		
Gains or losses arising from transactions of which the prices are deemed unfair (the difference between the price and the fair value)		
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.		
Gains or losses arising from contingent events not associated with the Company's operating activities		
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)	23,997,400.35	
Recovery of impairment allowance for receivables subject to individual assessment for impairment		
Gains or losses arising from entrusted borrowings		
Gains or losses arising from changes in the fair values of investment property measured at fair value		
Impact of one-off adjustment required by tax laws, accounting standards and relevant regulations on the profit or loss for the current reporting period		
Revenue arising from entrusted operation		
Other non-operating revenue and non-operating expenses not listed above	-2,584,301.97	
Other gains or losses satisfying the definition of extraordinary gains or losses		
Subtotal	30,246,348.09	
Less: Effect of corporate income tax	4,487,149.14	
Less: Net amount attributable to minority interests (after tax)	6,499,059.72	
Total	19,260,139.23	

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

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

14.2 Yield Rate of Net Assets and Earnings Per Share

Profits for the reporting period	Weighted average yield rate of net assets%	Earnings Per Share(Yuan per share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders	4.29	0.14	0.14
Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses)	1.12	0.04	0.04