

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.
2020 ANNUAL REPORT

March 2021

Section I. Important Statements, Contents & Terms

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

All directors attended the board meeting for reviewing this Report.

The Company’s profit distribution preplan upon review and approval of this board meeting: Based on the total 185,391,680 shares, a cash dividend of RMB1.5 (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 Wu Jianhua, 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.
SCPDI	Refers to	Pt.Star Comgistic Property Development Indonesia
TKW	Refers to	Xiamen Tsannkuen Property Services Co., Ltd.
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 name	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.tw		
Email address	mm_sun@tkl.tsannkuen.com		

II. Contact us

	Board Secretary	Securities 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	RSM China
Office address	901-22 to 901-26, Tower 1-Wai Jing Mao Building, 22 Fuchengmen Wai Street, Xicheng District, Beijing, China
Signing accountants	Chen Lianwu, Ren Xiaochao

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	2020	2019	Increase/decrease of current year over last year (%)	2018
Operating revenue	2,144,181,738.33	2,001,939,841.94	7.11	1,790,062,803.08
Net profit attributable to shareholders of the Company	139,522,190.75	105,233,212.02	32.58	11,831,622.78
Net profit attributable to shareholders of the Company before extraordinary gains and losses	94,686,086.28	57,267,985.97	65.34	-968,285.11
Net cash flows from operating activities	315,271,083.24	143,620,287.98	119.52	106,076,060.82
Basic EPS (RMB Yuan/share)	0.75	0.57	31.58	0.06
Diluted EPS (RMB Yuan/share)	0.75	0.57	31.58	0.06
Weighted average ROE (%)	17.34	15.07	2.27	1.82
Item	As at 31 Dec. 2020	As at 31 Dec. 2019	Increase/decrease of current year-end than last year-end (%)	As at 31 Dec. 2018
Total assets	2,408,046,446.78	1,956,448,835.98	23.08	1,842,514,750.64
Net assets attributable to shareholders of the Company	864,030,127.11	748,738,791.34	15.40	648,801,684.35

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
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Fully diluted EPS based on the latest total shares:

Fully diluted EPS based on the latest total shares (RMB Yuan/share)	0.75
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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	311,268,019.82	481,746,564.54	693,486,076.76	657,681,077.21
Net profit attributable to shareholders of the Company	8,577,244.43	30,643,458.73	54,549,173.46	45,752,314.13
Net profit attributable to shareholders of the Company before extraordinary gains and losses	7,008,708.45	25,498,031.19	38,474,618.79	23,704,727.85
Net cash flows from operating activities	-56,790,702.14	28,778,826.00	175,863,935.96	167,419,023.42

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	2020	2019	2018	Note
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	195,318.03	63,688,086.21	975,770.89	
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	6,241,497.95	26,259,614.81	4,903,720.34	

Item	2020	2019	2018	Note
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				
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	61,211,756.54	19,610,630.54	10,464,696.66	Mainly gains on forward forex contracts sold, gains on changes in fair value and income from investments in wealth management products and other current assets
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately				
Gain/loss on entrustment loans				
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair				

Item	2020	2019	2018	Note
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	4,668,961.96	5,303,835.25	3,563,106.86	
Other gain and loss items that meet the definition of an extraordinary gain/loss				
Less: Income tax effects	11,395,313.47	26,185,728.82	3,099,747.35	
Minority interests effects (after tax)	16,086,116.54	40,711,211.94	4,007,639.51	
Total	44,836,104.47	47,965,226.05	12,799,907.89	

Section III. Business Highlights

I. Main business during the reporting period

Developing, manufacturing household appliances, electronics, light industrial products, modern office supplies. Design and manufacture of molds associated with these products in domestic and international sales of the company's products and after-sales service. Wholesale and retail household appliances, electronic products, electrical equipment, office supplies, kitchen utensils, pre-packaged food (limited to branches), import and export related business and provide after-sales service (the above description do not involve state trading commodity goods, involving quota license management products are according to the relevant provisions of the State for the regulations application). No material changes occurred to the business model of the Company in the reporting period.

II. Material changes in main assets

1. Material changes in main assets

Main assets	Material change
Monetary funds	No material change
Held-for-trading financial assets	Up 19808.42% from the end of last year, mainly because of the reclassification of investments in wealth management products and the assessed gains on forward forex contracts in the current period
Notes receivable	Down 100.00% from the end of last year, mainly because of the settlement of notes receivable that were due
Accounts receivable	Up 50.70% from the end of last year, mainly because of an increase in the balance of accounts receivable along with the rising operating revenues
Advances to suppliers	No material change
Other receivables	No material change
Other current assets	Down 96.28% from the end of last year, mainly because of the reclassification of investments in wealth management products in the current period
Investment properties	No material change
Fixed assets	No material change
Construction in progress	Down 75.07% from the end of last year, mainly because of the check and acceptance of the rebuilt component plant of subsidiary SCI in the current period
Intangible assets	No material change
Long-term deferred charge	No material change
Deferred tax assets	No material change
Other non-current assets	Up 103.25% from the end of last year, mainly because of an increase in prepayments for equipment in the current period

2. Main assets overseas

√ Applicable □ Inapplicable

Unit: RMB Yuan

Asset	Nature	Value	Location	Operati on status	Measures taken to protect asset safety	Earnings	In the Company's net assets (%)	Any major impairme nt risk or not
SCI	Investment	207,298,478.66	Indonesia	Normal	Periodic review	1,578,916.61	23.99	No
TKEI	Equity acquisition	21,456,326.00	Taiwan	Normal	Periodic review	2,296,409.71	2.48	No

III. Core competitiveness analysis

No material change occurred to the core competitiveness of the Company during the reporting period.

Following the corporate culture of research and development, the Company has a diversified R&D service system and provides a well-established customer service and management platform, which are well-received among major brand customers across the globe. Through constant close interaction with customers and innovation in R&D, it caters to customer needs from the development to the manufacturing of differentiated products.

The Company has been adhering to the two development paths of innovative R&D and technological application, as well as to the dual circulation strategy of focusing on export and boosting domestic sales.

Focusing on smart control, smart household appliances, the application of IoT, etc. in product development, the Company supplies smart, quality products with high added value to create new market demand and compete in the industry.

In the reporting period, the Company obtained 73 patents in R&D, including 36 invention patents, 25 utility model patents and 12 design patents. There are also dozens of patents being applied for. These patents can help better protect the Company's intellectual property rights, give play to its competitive edge in independent property rights, keep a leading position in technology and increase its core competitiveness.

Section IV. Performance Discussion & Analysis

I. Business review for the reporting period

Looking back to 2020, the production and sales activities of the Company were adversely affected in the first half of the year by factors such as the widespread COVID-19 pandemic and the ongoing China-U.S. trade war. In response, stringent anti-pandemic measures were adopted in the reporting period. As a result, we resumed work/production in a safe and orderly manner according to the overall arrangements of governments at all levels while ensuring the safety of our employees against the pandemic.

The Board of Directors and the management of the Company adhered to the development strategy of focusing on the principal business operations, and carried on with the simplification and transformation strategies. New raw materials, techniques and manufacturing equipment were brought in, and manufacturing plants were refined to increase our yield rate and production efficiency, simplifying and improving our production. Upholding the strategy of innovation-driven transformation, we develop and manufacture differentiated products to compete in the industry. And we aim to provide products with multi-functions, high added value and high quality for customers.

In face of the various unfavorable factors for export, we were more prudent in purchases to control stocks and cash flows. A hierarchical management system based on customers' credit lines was carried out in respect of accounts receivable, order taking and shipment, and their credit line insurance coverage was increased. In addition, negotiations to bring down procurement costs, expense control and other measures were carried out. Meanwhile, asset impairment allowances were established upon assessment of net realizable value of inventories and impairments of fixed assets.

Through being more intimate with customers and innovation in R&D, we create new market demand by developing smart-home and low-carbon products, which effectively expands our market share and strengthens our operating revenue and profitability.

II. Main business analysis

1. Overview

For 2020, we achieved a net profit attributable to shareholders of the Company of RMB140 million, up 32.58% from last year. The change was primarily driven by:

(1) The net profit attributable to shareholders of the Company of RMB105 million in last year comprised the

effect of RMB29.54 million of an extraordinary gain (the asset disposal gain in respect of the relocation of controlled sub-subsidiary TKS's phase II plant carried out according to the government policy), with no comparable gain in the reporting period.

(2) The Company continued to enhance R&D and innovation and launch new products to the market, boosting consumer purchases. In addition, the market demand was also stimulated by the consumers who stayed at home due to the pandemic. As a result, the Company achieved operating revenues of RMB2.144 billion, up 7.11% from last year. Meanwhile, 2020 also saw an increase in profitability due to effective risk control, accurate match of supply and demand, supply chain upgrading measures including negotiations with raw material suppliers on lower costs, cost control and process refinement.

2. Revenues and costs

(1) Breakdown of operating revenues

Unit: RMB Yuan

Item	2020		2019		+/-%
	Amount	In total operating revenues (%)	Amount	In total operating revenues (%)	
By segments					
Small home appliance manufacturing	2,066,576,833.78	96.38	1,919,745,046.46	95.89	7.65
Other services	77,604,904.55	3.62	82,194,795.48	4.11	-5.58
Total	2,144,181,738.33	100.00	2,001,939,841.94	100.00	7.11
By products					
Cooking utensils	1,470,116,469.53	68.57	1,271,637,191.29	63.52	15.61
Everyday home appliances	397,954,437.24	18.56	388,186,251.50	19.39	2.52
Tea and coffee makers	184,473,267.41	8.60	244,844,541.59	12.23	-24.66
Other products	14,032,659.60	0.65	15,077,062.08	0.75	-6.93
Other services	77,604,904.55	3.62	82,194,795.48	4.11	-5.58
Total	2,144,181,738.33	100.00	2,001,939,841.94	100.00	7.11
By areas					
Australia	75,243,660.83	3.51	83,031,966.00	4.15	-9.38
Africa	14,907,902.56	0.70	19,351,407.62	0.97	-22.96
America	1,118,127,377.12	52.15	906,460,709.85	45.28	23.35

Europe	440,214,124.77	20.53	492,289,796.35	24.59	-10.58
Asia	495,688,673.05	23.11	500,805,962.12	25.01	-1.02
Total	2,144,181,738.33	100.00	2,001,939,841.94	100.00	7.11

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

Applicable Inapplicable

Unit: RMB Yuan

Item	Operating revenue	Cost of sales	Gross profit margin (%)	Operating revenue: +/-% from last year	Cost of sales: +/-% from last year	Gross profit margin: +/-% from last year
By segments						
Small home appliance manufacturing	2,066,576,833.78	1,722,830,969.80	16.63	7.65	5.62	1.60
Other services	77,604,904.55	33,919,348.10	56.29	-5.58	-2.09	-1.56
Total	2,144,181,738.33	1,756,750,317.90	18.07	7.11	5.46	1.28
By products						
Cooking utensils	1,470,116,469.53	1,234,617,024.23	16.02	15.61	13.16	1.82
Everyday home appliances	397,954,437.24	335,387,964.40	15.72	2.52	-0.37	2.44
Tea and Coffee makers	184,473,267.41	147,236,293.39	20.19	-24.66	-24.43	-0.24
Other products	14,032,659.60	5,589,687.78	60.17	-6.93	-35.27	17.45
Other services	77,604,904.55	33,919,348.10	56.29	-5.58	-2.09	-1.56
Total	2,144,181,738.33	1,756,750,317.90	18.07	7.11	5.46	1.28
By areas						
Australia	75,243,660.83	59,851,012.52	20.46	-9.38	-9.85	0.42
Africa	14,907,902.56	11,863,723.39	20.42	-22.96	-20.38	-2.58
America	1,118,127,377.12	934,093,466.91	16.46	23.35	21.79	1.07
Europe	440,214,124.77	360,354,097.45	18.14	-10.58	-13.75	3.01
Asia	495,688,673.05	390,588,017.63	21.20	-1.02	-2.29	1.02
Total	2,144,181,738.33	1,756,750,317.90	18.07	7.11	5.46	1.28

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

Yes No

Unit: Unit

Industry	Item	2020	2019	YoY +/-%
Small home appliance manufacturing	Sales volume	23,975,250	22,450,713	6.79
	Output	23,998,870	22,585,389	6.26
	Stock	1,769,267	1,745,647	1.35

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) Breakdown of cost of sales**

Unit: RMB Yuan

Item	2020		2019		YoY +/-%
	Amount	In total cost of sales (%)	Amount	In total cost of sales (%)	
By segments					
Small home appliance manufacturing	1,722,830,969.80	98.07	1,631,156,891.41	97.92	5.62
Other services	33,919,348.10	1.93	34,644,195.77	2.08	-2.09
Total	1,756,750,317.90	100.00	1,665,801,087.18	100.00	5.46
By products					
Cooking utensils	1,234,617,024.23	70.28	1,091,065,894.00	65.49	13.16
Everyday home appliances	335,387,964.40	19.09	336,632,218.03	20.21	-0.37
Tea and Coffee makers	147,236,293.39	8.38	194,823,071.49	11.70	-24.43
Other products	5,589,687.78	0.32	8,635,707.89	0.52	-35.27
Other services	33,919,348.10	1.93	34,644,195.77	2.08	-2.09
Total	1,756,750,317.90	100.00	1,665,801,087.18	100.00	5.46

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

Yes No

Subsidiary Tsann Kuen (Zhangzhou) Investment Co., Ltd. (TKI) was deregistered in April 2020. Therefore, it has been excluded from the consolidated financial statements since the date of deregistration, with its revenues, expenses and profits before the deregistration included in the consolidated income statement, and its cash flows before the deregistration included in the consolidated cash flow statement.

(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	1,316,814,003.65
Ratio of the total sales of the top 5 customers to the annual total sales (%)	61.41
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

Serial No.	Name of customer	Sales amount	Proportion in annual total sales (%)
1	No. 1	352,376,529.92	16.43
2	No. 2	299,457,921.84	13.97
3	No. 3	199,029,628.31	9.28
4	No. 4	284,357,993.32	13.26
5	No. 5	181,591,930.26	8.47
Total		1,316,814,003.65	61.41

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	254,819,356.91
Ratio of the total purchase from the top 5 suppliers to the annual total purchase (%)	17.23
Ratio of the total purchase from related parties among the top 5 suppliers to the annual total purchase (%)	2.90

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	76,870,398.14	5.20
2	No. 2	55,202,359.18	3.73
3	No. 3	45,721,437.28	3.09
4	No. 4	42,913,323.94	2.90
5	No. 5	34,111,838.37	2.31
Total		254,819,356.91	17.23

Notes of the other situation of the major suppliers

Applicable Inapplicable

The No.4 supplier among the top 5 suppliers is the related party of the Company.

3. Expenses

Unit: RMB Yuan

Item	2020	2019	YoY +/- (%)	Notes of the significant changes
Selling expenses	55,857,793.41	63,389,947.24	-11.88	
Administrative expenses	82,381,345.47	83,008,382.58	-0.76	
R&D expenses	61,944,782.42	71,898,743.35	-13.84	
Finance costs	27,512,741.83	-7,160,360.79	484.24	Mainly due to the increase in unrealized assessed exchange losses in the current period

4. R&D investment

Applicable Inapplicable

The Company has been adhering to R&D, continued to promote innovation in R&D to create more intimacy with customers, and create market demand by developing smart-home and low-carbon products. Meanwhile,

living-alone and sanitization products are developed as a response to the COVID-19 pandemic. These efforts help expand our market share and strengthen our operating revenues and profitability.

R&D investment of the Company

Item	2020	2019	+/- (%)
Number of the R&D personnel (person)	337	390	-13.59
Ratio to the R&D personnel (%)	7.31	10.58	-3.27
Investment amount of the R&D (RMB Yuan)	61,944,782.42	71,898,743.35	-13.84
Ratio of the R&D investment to the operating revenue (%)	2.89	3.59	-0.70
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 revenue

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	2020	2019	+/- (%)
Subtotal of cash inflows from operating activities	2,141,042,251.53	2,203,247,739.72	-2.82
Subtotal of Cash outflows for operating activities	1,825,771,168.29	2,059,627,451.74	-11.35
Net cash flows from operating activities	315,271,083.24	143,620,287.98	119.52
Subtotal of cash inflows from investing activities	856,688,665.62	938,297,482.71	-8.70
Subtotal of cash outflows from investing activities	1,072,088,051.44	880,481,265.12	21.76
Net cash flows from investing activities	-215,399,385.82	57,816,217.59	-472.56
Subtotal of cash inflows from financing activities	97,907,340.00	93,195,400.00	5.06

Subtotal of cash outflows from financing activities	160,602,021.04	99,593,204.12	61.26
Net cash flows from financing activities	-62,694,681.04	-6,397,804.12	-879.94
Net increase of cash and cash equivalents	33,178,004.70	191,130,906.51	-82.64

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

Applicable Inapplicable

1. Net cash flows from operating activities increased by 119.52% from last year mainly due to the decrease of the payment of accounts receivable at the beginning of the reporting period in the reporting period compared with that of last year and the extension of suppliers' payment terms for the reporting period.

2. Net cash flows from investing activities decreased by 472.56% from last year mainly due to the increase of finance products purchased for the reporting period and no such case for the reporting period in which the income from the policy relocation of the phase II plant of TKS flowed in last year.

3. Net cash flows from financing activities decreased by 879.94% from last year mainly due to the increase of dividends distribution, the increase of borrowings by TKI and the increase of cash deposit paid for pledge borrowings and deposit to creditor for the reporting period.

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

Applicable Inapplicable

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 income	43,371,745.54	20.58	Assessment gains of the delivered forward forex and investment gains from finance products	Yes
Gain from changes in fair value	17,840,011.00	8.47	Assessment gains of the undelivered forward forex	Yes
Loss on credit impairment	-41,845.03	-0.02	Impairment provisions for accounts receivable	Yes
Loss on asset impairment	-9,241,368.18	-4.39	Impairment provisions for fixed assets and inventory falling price loss	Yes
Gain on disposal of assets	195,318.03	0.09	Gain on disposal of fixed assets	Yes

Other income	6,241,497.95	2.96	Government subsidy in relation to production and operation	Yes
Non-operating income	5,986,192.66	2.84	Insurance claims and reparations from customers for cancellation of orders	Yes
Non-operating expenses	1,317,230.70	0.63	Scrap of assets	Yes

IV. Assets and liabilities

1. Significant changes in asset composition

Adjustments to related items of the financial statements at the beginning of the first execution year of the New Revenue or Leases Guidelines since 2020

Applicable

Unit: RMB Yuan

Item	December 31, 2020		1 January, 2020		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	707,794,598.20	29.39	639,623,201.98	32.69	-3.30	No
Held-for-trading financial assets	720,821,900.00	29.93	3,620,689.00	0.19	29.74	Mainly due to the reclassification of investments in wealth management products and the assessed gains on forward forex contracts in the current period
Accounts receivable	431,006,560.62	17.90	285,995,412.05	14.62	3.28	Increase of accounts receivable balance due to increase of operating revenues
Inventories	255,052,077.36	10.59	222,155,587.38	11.36	-0.77	No
Other current assets	18,634,037.60	0.77	501,139,597.55	25.61	-24.84	Mainly due to the reclassification of investments in wealth

						management products in the current period
Investment properties	21,255,610.91	0.88	22,991,059.81	1.18	-0.30	No
Fixed assets	164,338,962.07	6.82	185,749,835.56	9.49	-2.67	No
Construction in progress	728,529.68	0.03	2,921,901.51	0.15	-0.12	Acceptance completion of the part plant of the Company's subsidiary STAR COMGISTIC CAPITAL CO., LTD. reconstructed at the beginning of the period
Short-term borrowings	16,345,141.13	0.68	0.00	0.00	0.68	Pledge borrowings of the reporting period

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	Other changes	Closing balance
Financial assets								
1. Tradable financial assets (excluding derivative financial assets)	0.00	0.00	0.00	0.00	750,000,000.00	50,000,000.00	0.00	700,000,000.00
2. Derivative financial assets	3,620,689.00	17,201,211.00	0.00	0.00	968,153,000.00	750,263,889.00	0.00	20,821,900.00
3. Investments in other debt obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other equity instrument	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

investments								
Subtotal of financial assets	3,620,689.00	17,201,211.00	0.00	0.00	1,718,153,000.00	800,263,889.00	0.00	720,821,900.00
Investment property	0.00	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	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total of the above	3,620,689.00	17,201,211.00	0.00	0.00	1,718,153,000.00	800,263,889.00	0.00	720,821,900.00
Financial liabilities	638,800.00	-638,800.00	0.00	0.00	76,493,800.00	180,885,700.00	0.00	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

Note: Among other monetary funds, CNY 12,243,391.52 is the letter of credit deposit and CNY 22,750,000.00 is the loan deposit. Other than the mentioned restricted funds, the Company does not have other funds with restrictions or potential recovery risks due to mortgage, pledge, or freezing in the currency funds at the end of the period.

V. Investments made

1. Total investments made

Applicable Inapplicable

Unit: RMB Yuan

Investments made in this reporting period	Investments made in the prior year	+/-%
0.00	36,682,533.00	-100.00

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	Purchased 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	139,644.61	01/01/2020	12/31/2020	35,179.93	104,464.68	93,114.96		46,529.65	53.85	4,191.90
Total				139,644.61			35,179.93	104,464.68	93,114.96		46,529.65	53.85	4,191.90
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.

<p>Changes in market price or fair value of derivatives invested in this reporting period (specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives)</p>	<p>(1) Gains on delivered derivatives in the Reporting Period were RMB24.079 million, and assessed gains on those undelivered were RMB17.84 million, among which RMB2.9819 million of assessed gains on undelivered forward forex contracts of last year was reversed.</p> <p>(2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month.</p> <p>(3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.</p>
<p>Significant changes in the Company's accounting policies and specific accounting principles for derivatives in this reporting period as compared to the prior period</p>	<p>No significant changes</p>
<p>Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control</p>	<p>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.</p>

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
TKL	Subsidiary	Small home appliance manufacturing	USD160 million	2,401,385,659.83	1,429,688,822.92	1,925,972,956.80	186,856,102.75	170,102,957.89
TKS	Sub-subsidiary	Small home appliance manufacturing	USD40 million	283,432,008.45	232,846,262.27	935,988.16	7,175,512.98	5,457,764.73
SCI	Sub-subsidiary	Small home appliance manufacturing	USD35 million	207,298,478.66	106,980,080.04	242,314,396.65	1,742,672.72	1,578,916.61
TKEI	Sub-subsidiary	R&D and design of products	TWD300 million	21,456,326.00	17,762,318.54	11,923,713.18	2,223,172.62	2,296,409.71

Subsidiaries obtained or disposed in this reporting period

Applicable Inapplicable

Name	Method	Impacts on overall production and performance
Tsann Kuen (Zhangzhou) Investment Co., Ltd.	Cancelled	No impacts on the net profit of the listed company

VIII. Structured bodies controlled by the Company

Applicable Inapplicable

IX. Outlook of the Company's future development

(I) Strategies for future development

1. Strategy upgrading for main customers, and expansion for new strategic customers

Establish a diversified R&D technical service system, provide a comprehensive customer service and customer management platform, and provide customers with a structured solution from the perspective of consumers. The Company's true core strategy is to be close to customers, not cost-orientation. Launch products meeting the demands of consumers and establish differentiated competitive advantages.

In terms of customer management, we focus our resources, continue to screen customers according to the Pareto Principle, and devote effective resources to strategic customers in line with our future development, so as to form a mutually beneficial and win-win business partner.

2. Construction of domestic market

With the wide use of intelligent control (AI/face recognition/voice control), IoT technology and 5G technology in the future, traditional household appliances manufacturers are urged to upgrade their technology. With the improvement of people's living standards and the increasing demand for convenient and Smart Home, the future development of Smart Home in the domestic market has become an inevitable trend. In the future, the Company will focus on brand strategy and the development of Smart Home.

The Company has adjusted its product-oriented marketing strategy in China to a consumer-oriented one that focuses on new consumer groups, new channels and new customer development. Specifically, strategies for two major brands are deployed (EUPA Tsannkuen: Professional and superior with tactile appeal and high unit price; Urbane: Cost-effectively affordable with lively and youthful design).

3. Lean factory management meeting the demands of strategic customers

The Company continues to promote the factory management mode, focusing and dedicating service to win customer and consumer recognition and satisfaction. Meanwhile, it builds an ecosystem of strategic cooperation for supply chains to achieve an accurate balance between supply and demand and an efficient synergy of organizations, adopts big data system upgrade management, introduces new raw materials, new technology, lean manufacturing equipment, improves production space, improves production yield and production efficiency, and achieves lean production optimization.

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

Against the background of Sino-US Trade War and that parts of the countries adopting trade protectionism and suppress the domestic products through the methods such as improve the import tariff, the Company lays an

overseas manufacturing base in Indonesia and will accelerate the integration of its supply chain as well as laying 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 the development and transformation of small domestic appliances.

1. Europe and the United States are the main consumer markets of small domestic appliances, the average household small domestic appliances have a large capacity and a short life cycle, the demand for replacement market is large, the global market demand for small domestic appliances shows a stable trend. With the economic growth, the improvement of people's living standards and the increasingly stringent international market environment standards, the series, large-scale and energy-saving environmental protection small domestic appliances will become the general trend.

2. China is an important base for the production of small domestic appliances. China's advantages in labor, cost, technology and industrial support have made china undertaken the world's major small domestic appliances business. With the powerful large domestic appliances and international brands entering the small domestic appliances market, the competition in the small domestic appliances market will become more intense, and the business sector will enter the operation of specialization, systematization and branding, in order to compete more market share, through relying on the advantages of capital and R&D, a number of small brand enterprises which are relatively weak, lack of R&D, cost advantages and market network management advantages will be phased out.

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

(III) Future risk analysis

1. International

Influenced by Sino-US Trade War, parts of the countries began to adopt trade protectionism and 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.

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, once the demand in the international market is insufficient, the Company will face the risk of a decline in sales revenue caused by a decline of the demand in the international market.

2. Domestic

With the development of domestic production and the improvement of people's living standards, the domestic market competition will become more intense, the domestic home appliances market competition pattern has changed significantly, and the new economic model under the background of Internet sales will become a market opportunity in the next few years.

In view of the domestic market, on the one hand, the Company takes technological innovation as the core to promote brand image investment and talent team building, establish its own brand, and develop green smart home appliances to increase the share of the domestic market. On the other hand, the Company continues to improve the protection of the Company's patent intellectual property rights to face competition in the industry and actively expand new channels such as Internet sales and TV shopping to promote sales. If the domestic market development is not effective, the Company will face the risk of declining sales revenue.

3. Exchange rate fluctuation

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

4. Increase of the labor costs and the labor shortage

Factors such as increase of local minimum wage standard, decrease of labor supply and the seasonal human resource demand of surrounding enterprises, have resulted in increase of comprehensive labor costs of the Company year by year. To cope with the risk of decline in profitability due to rising labor costs, the Company improves the staff production efficiency by promoting procurement modularization and lean automation, continuously make the production and manufacturing environment better, promote bonus retention policy,

improve compensation & benefits of the employees, enhance the construction of corporate culture, increase the work enthusiasm and identity of employees to reduce employee turnover rate.

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 continuously put the lean manufacturing into the core goal of the enterprises, and with the introduce of the new environmental protection materials, the input of the automation and the technical promotion of the environmental manufacture processing, the environment protection of products of the Company will be continuously promoted.

6. Impact on the epidemic situation of COVID-19 Epidemic

So far, the sudden COVID-19 pandemic has raged through the world for more than a year, creating not only a huge impact on the operation of the global economy but also challenges and opportunities for the development of the Company.

The "stay-at-home economy" has become a fact of life due to the policy responses of different countries after the outbreak, but people's quality of life will not be diminished. More people will cook at home. Therefore, the demand for small home appliances will increase. Meanwhile, as a result of the pandemic uncertainty overseas, there will be additional sales costs for the Company.

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

1. In this reporting period

√ Applicable □ Inapplicable

Date of visit	Place of visit	Way of visit	Type of visitor	Visitor	Contents and materials provided	Index to main inquiry information
02/19/2020	The Company	By phone	Individual	Mr. Zhang	By phone and no materials provided	Inquired of the work resumption and the impact of the epidemic situation, and the reform of B-share
03/17/2020	The Company	By phone	Individual	Mr. Zhang	By phone and no materials provided	Inquired of the impact of the epidemic situation to the production, and impact of foreign epidemic situation to orders of the Company.
03/25/2020	The	By phone	Individual	Mr. Wang	By phone and no	Inquired of the impact of the

Date of visit	Place of visit	Way of visit	Type of visitor	Visitor	Contents and materials provided	Index to main inquiry information
	Company				materials provided	epidemic situation to the production, and impact of foreign epidemic situation to orders of the Company.
04/14/2020	The Company	By phone	Individual	Mr. Wen	By phone and no materials provided	Inquired of shareholders' voting on shareholders meetings by Guotai Junan Securities Co., Ltd.
05/22/2020	The Company	By phone	Individual	Mr. Ding	By phone and no materials provided	Inquired of the reform of B-share
05/25/2020	The Company	By phone	Individual	Mr. Ding	By phone and no materials provided	Inquired of the reform of B-share
05/26/2020	The Company	By phone	Individual	Mr. Xu	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
05/27/2020	The Company	By phone	Individual	Mr. Liu	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
05/28/2020	The Company	By phone	Individual	Mr. Yang	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
06/09/2020	The Company	By phone	Individual	Mr. Chen	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
06/10/2020	The Company	By phone	Individual	Mr. Liu	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
09/09/2020	The Company	By phone	Individual	Mr. He	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
09/10/2020	The Company	By phone	Individual	Mr. Ding	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
09/11/2020	The Company	By phone	Individual	Mr. Yang	By phone and no materials provided	Inquired of the operation of

Date of visit	Place of visit	Way of visit	Type of visitor	Visitor	Contents and materials provided	Index to main inquiry information
						the Company and the reform of B-share
10/28/2020	The Company	By phone	Individual	Mr. Fan	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share
11/05/2020	The Company	By phone	Individual	Mr. Sun	By phone and no materials provided	Inquired of the operation of the Company, the reason why the revenue situation is nearly equal to earnings growth and the reform of B-share
12/02/2020	The Company	By phone	Individual	Mr. Xu	By phone and no materials provided	Inquired of the operation of the Company, the reform of B-share and stock price trend
12/31/2020	The Company	By phone	Individual	Mr. He	By phone and no materials provided	Inquired of the operation of the Company and the reform of B-share

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

Times of visit	18
Number of visiting institutions	0
Number of visiting individuals	18
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 2018, the Company distributed a cash dividend of RMB0.4 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital for 2018. For 2019, 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 2019. For 2020, the Company intended to distribute a cash dividend of RMB1.5 (tax included) for every 10 shares held by its shareholders, and the estimated distributable profits of the Company was RMB27,808,752 with the retained profits of RMB223,796,645.88 for carry-forward to the next year. There was no turn from capital reserve to share capital for the year.

List of the cash dividend distribution of the common shares of the Company of the recent 3 years (the reporting period inclusive)

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	Total amount of cash dividend (including by other methods)	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement
2020	27,808,752.00	139,522,190.75	19.93%	0	0	27,808,752.00	19.93%
2019	18,539,168.00	105,233,212.02	17.62%	0	0	18,539,168.00	17.62%
2018	7,415,667.20	11,831,622.78	62.68%	0	0	7,415,667.20	62.68%

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

□ Applicable √ Inapplicable

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

√ Applicable □ Inapplicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	1.5
Turning capital reserve into share capital for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	185,391,680.00
Amount of cash dividend (RMB Yuan) (tax included)	27,808,752.00
Amount of cash dividend by other methods (like share repurchase) (RMB Yuan)	0
Total cash dividends (including those by other methods) (RMB Yuan)	27,808,752.00
Distributable profit (RMB Yuan)	251,605,397.88
Percentage of total cash bonus (including those by other methods) 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 2020, the Company intended to distribute a cash dividend of RMB1.5 (tax included) for every 10 shares held by its shareholders, and the estimated distributable profits of the Company was RMB27,808,752 with the retained profits of RMB223,796,645.88 for carry-forward to the next year. There was no turn from capital reserve to share capital for the year.	

III. Performance of commitments

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

√ Applicable □ Inapplicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes						
Commitments made upon the assets replacement						
Commitments made upon first issuance or refinance						
Commitment on equity incentive						

Other commitments made to minority shareholders	FILLMAN INVESTMENTS LIMITED	Commitment on shareholding increase	Based on the confidence on the continuous and stable development of the Company, it committed to increase the shareholding if the Company's stock price lower than HKD2.40 per share after the implementation of the shares contraction and trading resumption, and it would increase no more than 2% shares (i.e. 3.7078 million shares) of the total shares issued by the Company within one year since the date of initial shareholding increase. If the plan on increasing holding 2% shares of the total shares is completed 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.	12/28/2012	Long-term effective	The Company's stocks resumed trading on 31 Dec. 2012, but the Company's stock price hasn't met the condition (closing price was lower than HKD2.40) 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

(1) Changes in accounting policies

On 5 July 2017, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 14 - Revenue” (Caikuai [2017] No. 22) (which is referred as the “New Revenue Standards”). On 10 December 2019, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 13”, requiring the domestically listed companies to execute the new revenue standards starting from 1 January 2020. The Company implemented the abovementioned new revenue standards and interpretation of the standards on 1 January 2020, and adjusted relevant contents of accounting policies.

The new revenue standards require that the cumulative impact of the first implementation of the standards shall be adjusted for the amount of retained earnings and other related items in the financial statements at the beginning of the first implementation year (January 1, 2020), and the information of the comparable period shall not be adjusted. When implementing the new revenue standards, the Company only adjusts the cumulative impact of contracts that have not been completed on the first implementation date.

The cumulative effects of the above accounting policies are as follows:

Due to the implementation of the new revenue standards, the Company's consolidated financial statements correspondingly adjusted the contract liabilities of CNY 10,350,334.42 and advances from customers of CNY -10,350,334.42 on January 1, 2020. The financial statements of the parent company correspondingly adjusted the contract liabilities of CNY 1,152,074.28 and the advances from customers of CNY -1,152,074.28 on January 1, 2020.

The above accounting policy changes were approved by the Company's first board meeting of 2020 held on March 14, 2020.

(2) Significant changes in accounting estimates

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

(3) Adjustments of the financial statements at the beginning of the reporting period for the first-year adoption of new revenue standards.

Consolidated Financial Statements

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Current assets:			
Advances from customers	13,294,285.78	2,943,951.36	- 10,350,334.42
Contract liabilities	N/a.	10,350,334.42	10,350,334.42

Financial Statements of Parent Company

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Current assets:			
Advances from customers	1,826,163.67	674,089.39	- 1,152,074.28
Contract liabilities	N/a.	1,152,074.28	1,152,074.28

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

Tsann Kuen (Zhangzhou) Investment Co., Ltd., a subsidiary of the Company, was cancelled in April 2020 and has been excluded from the Company's consolidated financial statements since the cancellation date. The revenue, expense and profit thereof before the completion of the cancellation shall be included in the consolidated income statement, and the cash flow in the consolidated cash flow statement.

IX. Engagement and disengagement of CPAs firm

Current CPAs firm

Name of the domestic CPAs firm	RSM China
The Company's payment for the domestic CPAs firm (RMB'0,000)	108
Consecutive years of the audit service provided by the domestic CPAs firm	1
Names of the certified public accountants from the domestic CPAs firm	Chen Lianwu, Ren Xiaochao
Consecutive years of the audit service provided by the certified public accountants from the domestic CPAs firm	1 year for Chen Lianwu, 1 year for Ren Xiaochao

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

A detailed explanation of the CPAs reappointment and change

Ruihua Certified Public Accountants (LLP) (hereinafter referred to as "Ruihua Accountants") originally engaged by the Company provided audit services for the Company. During practice, it earnestly performed the duties of an audit firm and safeguarded the legitimate rights and interests of the Company and shareholders from a professional perspective; the audits reflected the Company's financial position objectively, impartially and fairly pursuant to the principle of independent audit. Nevertheless, in view of the Company's business development and future needs for audit, the Company will not renew the engagement of Ruihua Accountants as its audit firm. The Company has communicated in advance with Ruihua Accountants on such decision. Ruihua Accountants is aware of the same and confirms that it has no objections. The Company expresses its heartfelt thanks to the audit team of Ruihua Accountants for their hard work in providing audit services for the Company!

After careful consideration based on the Company's business development and strategic needs, according to the assessment of the independence, professional competence, credit records and investor protection capabilities of audit firms, the Company will appoint RSM China as its financial audit firm for 2020. For the one year of engagement, RSM China will be responsible for the 2020 financial report audit and internal control audit (including the issuance of related audit reports) of the Company. Relevant audit will be mainly undertaken by the Shenzhen office of RSM China.

The Proposal on the Change of CPA Firm was approved at the Fifth Board Meeting in 2020 dated 4 August 2020. For details, please refer to the Announcement on the Resolutions of the Fifth Board Meeting in 2020 and the Announcement on the Change of CPA Firm disclosed on Securities Times, Ta Kung Pao (HK) and www.cninfo.com.cn dated 6 August 2020.

The Proposal on the Change of CPA Firm was approved at the First Extraordinary General Meeting in 2020 dated 28 August 2020. For details, please refer to the Announcement on the Resolutions of the First Extraordinary General Meeting in 2020 disclosed on Securities Times, Ta Kung Pao (HK) and www.cninfo.com.cn dated 29 August 2020.

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

Applicable Inapplicable

For the reporting period, the Company engaged RSM China as the internal control auditor and did not hire any financial advisor or sponsor.

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

Applicable Inapplicable

XI. Bankruptcy and restructuring

Applicable Inapplicable

XII. Significant litigations and arbitrations

Applicable Inapplicable

XIII. Punishments and rectifications

Applicable Inapplicable

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 exceeded the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Thermaster Electronic (Xiamen) Ltd.	Company directly controlled by actual controller and their close family members	Purchase of commodities from the related party	Purchase of raw parts	Based on the market price and both parties abide by the fair and reasonable principle	N/A	4,291.33	2.90	3,849.30	Yes	Settled according to the contract signed by both parties	N/A	03/17/2020	www.cninfo.com.cn
STAR COMGISTIC CAPITAL CO., LTD.	Ultimate controlling company	Sale of commodities	Sale of components and finished products			847.62	0.41	1,387.20	No				
Total						5,138.95		5,236.50					
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

(2) Contracting

Applicable Inapplicable

(3) Leasing

Applicable Inapplicable

2. Significant guarantees

Applicable Inapplicable

(1) Guarantees

Unit: RMB'0,000

Guarantees between 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
PT.STAR COMGISTIC INDONESIA	08/07/2019	6,196.84	03/10/2020	2,884.91	Pledged	1 year	No	No
	03/17/2020		03/27/2020					
	06/24/2020		07/08/2020					
Total guarantee line for subsidiaries approved during this Reporting Period (C1)			3,750.00	Total actual guarantee amount for subsidiaries during this Reporting Period (C2)		4,061.49		
Total approved guarantee line for subsidiaries at the end of this Reporting Period (C3)			6,196.84	Total actual guarantee balance for subsidiaries at the end of this Reporting Period (C4)		2,884.91		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during this Reporting Period (C1)			3,750.00	Total actual guarantee amount during this Reporting Period (C2)		4,061.49		
Total approved guarantee line at the end of this Reporting Period (C3)			6,196.84	Total actual guarantee balance at the end of this Reporting Period (C4)		2,884.91		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				3.34%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				0				
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 or possible joint liquidated liability undertaken				None				
Explanation on providing external guarantee violating established procedures				None				

(2) Illegal Provision of Guarantees for External Parties
 Applicable Inapplicable

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	70,000.00	70,000.00	0.00
Total		70,000.00	70,000.00	0.00

Particular information of high-risk entrusted asset management with individual significant amount or low security, poor liquidity and non breakeven

√ Applicable □ Inapplicable

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
Bank of Communication-Putian Branch	Bank	Break-even floating	5,000	Self-owned fund	06/18/2019	01/15/2020	Structural deposit	Payment of interest and	4.30%	124.29	124.29	Recovered upon maturity	N/A	Yes	Subject to the future	www.cninfo.com.cn

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
CHINA MINSHENG BANK-Xiamen Branch		proceeds	4,500		01/18/2019	01/17/2020		principal at maturity	4.10%	183.99	183.99				market yield and fund condition	
China Everbright Bank-Xiamen Branch		Break-even fixed proceeds	5,000		04/09/2019	04/09/2020			3.90%	195.00	195.00					
China Everbright Bank-Xiamen Branch		proceeds	5,000		05/07/2019	05/07/2020			3.80%	190.00	190.00					
Xiamen International Bank			9,500		08/12/2019	08/11/2020			4.10%	394.91	394.91					
Xiamen International Bank		Break-even floating proceeds	5,000		08/30/2019	08/29/2020			4.00%	202.78	202.78					
Xiamen International Bank			5,000		05/13/2020	11/9/2020			3.70%	92.50	92.50					
Chiyu Banking			15,000		12/11/2019	12/10/2020			4.35%	661.56	661.56					

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
Corporation Ltd.-Fuzhou Branch		Break-even floating proceeds										Undue				
Chiyu Banking Corporation Ltd.-Fuzhou Branch			5,000		01/09/2020	01/08/2021			4.35%	220.52						
Chiyu Banking Corporation Ltd.-Fuzhou Branch			5,000		08/10/2020	02/10/2021			3.70%	94.56						
Xiamen International Bank			5,000		09/04/2020	09/03/2021			3.40%	171.89						
Chiyu Banking Corporation Ltd.-Fuzhou Branch			5,000		09/08/2020	03/08/2021			3.60%	90.50						
Xiamen International Bank			8,500		03/10/2020	03/10/2021			4.00%	344.72						

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
Xiamen International Bank			6,000		08/18/2020	08/17/2021			3.40%	206.27						
Xiamen International Bank			5,500		08/20/2020	08/19/2021			3.40%	189.08						
Xiamen International Bank			5,000		10/23/2020	04/21/2021			3.40%	85.00						
Xiamen International Bank			5,000		11/11/2020	05/10/2021			3.40%	85.00						
Xiamen International Bank			5,000		11/19/2020	11/19/2021			3.40%	172.36						
Xiamen International Bank			5,000		12/10/2020	12/9/2021			3.40%	171.89						
Xiamen International Bank			5,000		12/11/2020	12/10/2021			3.40%	171.89						
Xiamen International			5,000		12/11/2020	09/07/2021			3.40%	127.50						

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
Bank																
Total			124,000							4,176.21	2,045.03					

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

4. Significant contracts relevant to routine operation

Applicable Inapplicable

5. Other significant contracts

Applicable Inapplicable

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

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 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. Unrestricted shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
2.1 RMB ordinary shares									
2.2 Domestically listed foreign shares	185,391,680	100.00%	0	0	0	0	0	185,391,680	100.00%
2.3 Foreign capital stocks listed abroad									
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

Implementation progress of share repurchases

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	15,144	Total number of common shareholders at the prior month-end before the disclosure of this Report	15,097	Total number of preference shareholders with resumed voting rights at the period-end	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report	0	
5% or greater shareholders or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during this reporting period	Number of restricted shares	Number of unrestricted shares	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	Foreign	5.00%	9,274,899	-154,717	0	9,274,899	N/A	0

SECURITIES(HONGKONG) LIMITED	corporation							
FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	4,621,596	Unchanged	0	4,621,596	N/A	0
SHENWAN HONGYUAN SECURITIES (HK) LIMITED	Foreign corporation	1.15%	2,132,752	-116,000	0	2,132,752	N/A	0
CHEN YONGQUAN	Domestic individual	1.03%	1,900,776	Unchanged	0	1,900,776	N/A	0
CHEN YONGQING	Foreign individual	0.87%	1,607,178	-45,929	0	1,607,178	N/A	0
CHEN LIJUAN	Foreign individual	0.76%	1,401,134	Unchanged	0	1,401,134	N/A	0
DING XIAOLUN	Domestic individual	0.61%	1,130,000	43,500	0	1,130,000	N/A	0
CHEN RONGZHAO	Domestic individual	0.33%	611,400	611,400	0	611,400	N/A	0
Strategic investor or general corporation becoming a top ten shareholder due to placing of new shares	None							
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 public shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Disclosure of the Shareholding Changes of the Listed Company's Shareholders.							
Top 10 unrestricted shareholders								
Name of shareholder	Number of unrestricted shares held at the period-end	Type of shares						
		Type	Number					
FORDCHEE DEVELOPMENT LIMITED	53,940,530	Domestically listed foreign share	53,940,530					
EUPA INDUSTRY CORPORATION LIMITED	24,268,840	Domestically listed foreign share	24,268,840					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	9,274,899	Domestically listed foreign share	9,274,899					
FILLMAN INVESTMENTS LIMITED	4,621,596	Domestically listed foreign share	4,621,596					
SHENWAN HONGYUAN SECURITIES (HK) LIMITED	2,132,752	Domestically listed foreign share	2,132,752					
CHEN YONGQUAN	1,900,776	Domestically listed foreign share	1,900,776					
CHEN YONGQING	1,607,178	Domestically listed foreign share	1,607,178					
CHEN LIJUAN	1,401,134	Domestically listed foreign share	1,401,134					
DING XIAOLUN	1,130,000	Domestically listed foreign share	1,130,000					
CHEN RONGZHAO	611,400	Domestically listed foreign share	611,400					
Related or acting-in-concert parties among the top ten unrestricted public shareholders	The first, the second and the fourth shareholders are the Company's corporate controlling shareholders. It is unknown whether the other public shareholders are							

and between the top ten unrestricted public shareholders and the top ten shareholders	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

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	Cai Yuansong	01/03/1990	14676920-000-01-21-0	Investment
EUPA Industry Corporation Limited	Cai Shuhui	07/21/1989	12959659-000-07-20-1	Investment
Fillman Investments Limited	Cai Shuhui	07/21/1992	16269694-000-07-20-5	Investment
Shareholdings of the controlling shareholder in other listed companies at home or abroad in this reporting period	None			

There are no notes to the controlling shareholder for the Company

Change of the controlling shareholder during this reporting period

Applicable Inapplicable

3. Information about the actual controller and its acting-in-concert party

Nature of actual controller: foreign individual

Type of actual controller: individual

Name of actual controller	Relationship with actual controller	Nationality	Right of residence in other countries or regions
Wu Tsann Kuen	In person	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.		

Whether there are shareholders holding over 10% shares at the ultimate control level for the Company

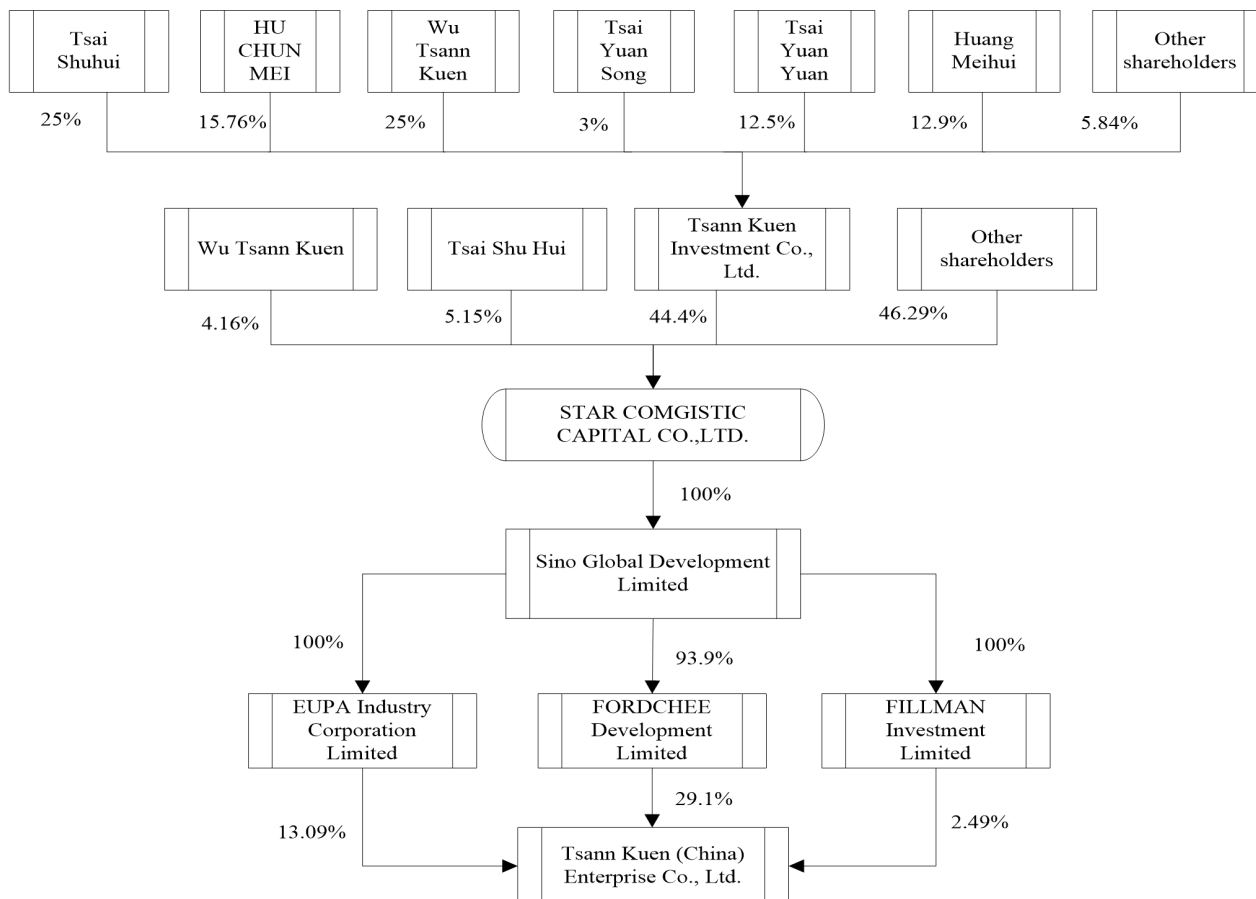
Yes No

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
He Zongyuan	Director	Left	02/28/2020	Personal reasons
Xu Xiaowan	Supervisory Board chairman	Left	02/28/2020	Personal reasons
Xu Degeng	Director	Left for expiration of appointment	04/24/2020	Left for expiration of appointment
Tang Jinmu	Independent director	Left for expiration of appointment	04/24/2020	Left for expiration of appointment
Bai Shaoxiang	Independent director	Left for expiration of appointment	04/24/2020	Left for expiration of appointment
Lin Jidian	Director	Elected	04/24/2020	Elected
Wang Youliang	Director	Elected	04/24/2020	Elected
Liu Luhua	Independent director	Elected	04/24/2020	Elected
Wu Yibing	Independent director	Elected	04/24/2020	Elected

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 & GM	Graduated from Machinery Division of ILMJ	1990.09-2003.06	TECO Electric & Machinery Co., Ltd. (Taiwan)	R&D and Business manager
			2003.08-2006.01	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Manager of research institute
			2006.02-2008.09	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Assistant manager of research institute
			2008.10-2010.07.25	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice GM of Trade Department
			2010.07.26-2014.5.20	Tsann Kuen (China) Enterprise Co., Ltd.	General manager
			2010.07.07-2014.5.27	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Managing director
			2011.5.21-2014.5.19	Tsann Kuen (China) Enterprise Co., Ltd.	Director
			2014.03.05-2020.4.28	East Sino Development Limited (HK)	Director
			2014.05.20-2017.04.05	Tsann Kuen (China) Enterprise Co., Ltd.	Chairman of the Board
			2014.05.27-now	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Chairman of the Board
			2014.06.11-now	PT.STAR COMGISTIC INDONESIA	Chairman of the Board
			2016.08.04-2020.4.21	PT.STAR COMGISTIC PRORERTY DEVELOPMENT INDONESIA	Chairman of the Board
			2015.01.21-2019.04.07	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director
			2019.04.08-2020.4.1	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Chairman of the Board
			2015.02.25-now	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Chairman of the Board
			2015.05.20-now	Orient Star Investments Limited (HK)	Director
			2016.03.02-2018.10.30	Xiamen Tsann kuen Home Appliance Design Co., Ltd.	Chairman of the Board
			2017.04.06-now	Tsann Kuen (China) Enterprise Co., Ltd.	Chairman of the Board, GM
			2018.03.14-2019.01.01	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Director
			2018.08.14-2020.04.08	Tsann Kuen Japan Co., Ltd.	Director
2019.01.02-now	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Chairman of the Board			
2018.06.15-2020.04.20	Tsann Kuen (Zhangzhou) Investment Co., Ltd.	Chairman of the Board			
2019.01.02-now	Shanghai Canxing Trading Co., Ltd.	Chairman of the Board			
2019.05.15-2019.06.20	Xiamen Tsannkuen Property Services Co.,	Chairman of the Board			

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
				Ltd.	
Lin Jidian	Director	Graduated from Department of Business Management Tatung University	1996.06-1999.08	Changjia Construction Co., Ltd.	Special assistant to GM, Audit specialist
			1999.08-2000.10	ADDA CORPORATION	Manager of Auditing Department, assistant to Chairman of the Board
			2000.10-2002.10	Royal DSM	Manager of Auditing Department, Special assistant to GM
			2002.10-2004.02	GO-IN Technology Co., Ltd.	Special assistant to GM, manager of Administrative Department, speaker
			2004.04-2013.04	Yuen Foong Yu Paper Mfg. Co., Ltd, East China Administration of YFY Packaging Inc., SinoPac Financial Holdings Company Limited, SinoPac Paper Corporation, Union Paper Corporation, China Color Printing Co., Ltd., Mitsukoshi Enterprise Co., Ltd., Yeon Technologies Co., Ltd., Huaci Bills Co., Ltd., FOONGTONE TECHNOLOGY CO., LTD., Belton Co., Ltd. (Taiwan, Japan), YFY Capital Co., Ltd., YFY Paper Co., Ltd. (Shanghai, Nanjing, Suzhou, Jiaxing, Kunshan), YFY Paper Mfg. Co., Ltd. (Yangzhou), YUENFOONGYUFAMILYCARE(KUNSHAN)COLTD, Mitsukoshi Environmental Protection Engineering Co., Ltd. (Kunshan), Ningbo Beautone Co., Ltd., Beijing Yingge Digital Co., Ltd., BOARDTEK ELECTRONICS CORPORATION, Applied Wireless IDentifications Group, Inc.(US) Director, HOPAX	Auditing manager, supervisor, director
			2013.04-2019.01	Planning Research Department and Auditing Department of TaiPei 101	Vice GM
			2019.04-2019.12	E-commerce of Business Planning Department of HSIN TUNG YANG Co., LTD. (Taiwan)	Vice GM
			2019.12-2020.05	Canxing International Travel Service Co., Ltd (Taiwan)	Chairman of the Board
			2019.12-2020.4.28	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Vice GM
			2020.3.31-now	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Chairman of the Board
2020.4.28-now	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	CEO			

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
			2020.3.31-now	STAR COMGISTIC CAPITAL CO., LTD. (Taiwan)	Chairman of the Board
			2020.1.8-now	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Supervisor
			2020.4.1-now	Tsann Kuen Japan Co., Ltd.	Director
			2020.4.1-now	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Supervisor
			2020.4.1-now	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director
			2020.4.1-now	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice Chairman of the Board
			2020.4.21-now	STARCOMGISTIC SINGAPORE PTE.LTD.	Director
			2020.4.21-now	STARCOMGISTIC AUSTRALIA PTY LTD	Director
			2020.4.20-now	Wu Wha Ma International Co., Ltd. (Taiwan)	Director
			2020.4.21-now	Sino Global Development Ltd. (HK)	Director
			2020.4.24-now	Tsann Kuen (China) Enterprise Co., Ltd.	Director
			2020.4.24-now	Gold mine chain enterprise Co., Ltd	Chairman of the Board
			2021.3.11-now	Dali Investment Co., Ltd. (Taiwan)	Chairman of the Board
Cai Yuansong	Director	Graduated from Manchester State University, Minnesota with a degree in Business Administration	1988.01.01-1993.02.16	Tsann Kuen (Xiamen) Electric Appliance Co., Ltd.	GM
			1993.02.16-2002.05.21	Tsann Kuen (China) Enterprise Co., Ltd.	Managing director
			1997.09.02-now	Thermaster Electronic (Xiamen) Ltd.	Director
			2002.05.22-2008.05.24	Tsann Kuen (China) Enterprise Co., Ltd.	Chairman of the Board
			2002.07.24-2008.07.25	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Chairman of the Board
			2011.06-now	Sekond Creative Design Co., Ltd. (Taiwan)	Chairman of the Board
			2017.04.06-now	Tsann Kuen (China) Enterprise Co., Ltd.	Director
			2017.04.21-now	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Director
			2018.08.14-now	EUPA Industry Corporation Limited (HK)	Director
			2018.08.14-now	Fillman Investments Limited (HK)	Director
2018.08.14-now	FORDCHEE Development Limited (HK)	Director			

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
			2020.02.25-now	STAR COMGISTIC CAPITAL CO., LTD. (Taiwan)	Director
			2020.02.25-now	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Director
			2020.04.01-now	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director
			2020.04.09-now	Tsann Kuen Japan Co., Ltd.	Chairman of the Board
			2020.04.24-now	Gold mine chain enterprise Co., Ltd	Director
			2020.04.29-now	WISE LAND PROPERTIES LIMITED (HK)	Director
			2020.04.29-now	WORLD KINGDOM PROPERTIES LIMITED (HK)	Director
			2020.04.29-now	East Sino Development Limited (HK)	Director
Wang Youliang	Director	Graduated from Griffith University with a degree in Accounting, Finance and Economics	2001.12-2007.06	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Accountant specialist, section head
			2007.06-2020.10	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Assistant accounting manager & Acting speaker
			2010.10-2016.10	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Financial manager
			2011.06-2021.3.31	Dali Investment Co., Ltd. (Taiwan)	Director
			2016.10-2018.12	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Senior manager of Finance Department
			2018.06-now	AXA Insurance Agent Co., Ltd. (Taiwan)	Director
			2018.12-now	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Assistant manager of Finance Department
			2019.09.25-now	Wu Wha Ma International Co., Ltd. (Taiwan)	Supervisor
			2020.4.24-now	Gold mine chain enterprise Co., Ltd	Supervisor
			2020.4.24-now	Tsann Kuen (China) Enterprise Co., Ltd.	Director
2021.3.11-now	Dali Investment Co., Ltd. (Taiwan)	Supervisor			
Ge Xiaoping	Independent director	Graduated from Zhongnan University of Economics and Law with a degree in Finance and Accounting	1980.12-1986.11	Hubei Electric	Accountant
			1986.11-1989.06	Fuzhou Camera Co., Ltd.	Internal auditor
			1989.06-1997.01	PLA Military Academy of Finance and Economics	Teacher
			1997.01-2000.09	Fujian Mindu CPA	Department manager
			2000.09-2007.03	Xiamen Andexin CPA	Chief accountant
			2007.03-2010.03	Fujian Mindu BDO	CPA and vice director accountant

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
			2008.05-2014.05	Tsann Kuen (China) Enterprise Co., Ltd.	Independent director
			2014.06-2018.06.29	China Shengmu Organic Milk Limited	Independent director
			2017.04.06-now	Tsann Kuen (China) Enterprise Co., Ltd.	Independent director
			2017.2.10-2019.01.16	Fujian Xunxing Zipper Science & Technology Co., Ltd.	Independent director
			2010.03-2019.05	BDO-Xiamen Branch	Partner and the head of Xiamen Branch
			2019.05-now	BDO-Xiamen Branch	Senior consultant
Liu Luhua	Independent director	Graduated from Xiamen University with a master degree in Civil and Commerce Law	1991.09-1992.12	Xiamen Intermediate People's Court	Clerk
			1992.12-1993.06	Orient (Xiamen) Golf Co., Ltd.	Legal manager
			1993.06-now	Fujian Tianyi Law Firm	Partner, vice director
			2002.03-now	Xiamen Arbitration Commission	Arbitrator
			2009.08-2016.03	Xiamen XGMA Machinery Co., Ltd.	Independent director
			2012.05-now	Xiamen University Tan Kah Kee College	Part-time associate professor
			2013.04-2016.12	DAZHOU XINGYE HOLDINGS CO.,LTD	Independent director
			2014.04-2020.01	Xiamen Port Development Co.,Ltd	Independent director
2020.07.31-now	Xiamen Chengtun Mining Co., Ltd.	Independent director			
Wu Yibing	Independent director	Graduated from Fudan University with a doctor degree in Accounting	2010.8.26-2014.8.1	Accounting Department of School of Management, Xiamen University	Assistant professor
			2014.8.1-now	Accounting Department of School of Management, Xiamen University	Associate professor
Yang Yongquan	Supervisor	Graduated from School of Accounting Department, National Taiwan University	1996.07-2003.06	Deloitte Taiwan	Audit manager
			2003.06-2003.10	Deloitte Taiwan	Audit manager
			2003.10-2005.02	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	GM of Accounting Department
			2005.03-2006.07	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Senior manager of Accounting Department
			2006.08-2007.10	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Assistant manager of Accounting Department
			2007.11-2009.12	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Senior assistant manager of Accounting Department
			2009.12- 2018.12	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Vice GM of Accounting

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
					Department
			2012.07.24-2019.10.22	Tsann Kuen (China) Enterprise Co., Ltd.	Supervisor
			2014.06.11-2019.09.13	PT.STAR COMGISTIC INDONESIA	Supervisor
			2014.07.08-2019.09.09	Shanghai Canxing Trading Co., Ltd.	Director
			2015.01.21-2019.09.09	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director
			2016.04.07-2020.01.07	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Supervisor
			2016.08.04-2019.09.13	PT.STAR COMGISTIC PRORERTY DEVELOPMENT INDONESIA	Supervisor
			2017.05.28-2019.09.09	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Director
			2018.06.15-2019.09.09	Tsann Kuen (Zhangzhou) Investment Co., Ltd.	Supervisor
			2018.08.15-2019.04.08	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Supervisor
			2018.12.14-2019.09.30	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Vice GM of Business Management Department
			2019.04.08-2019.09.09	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice Chairman of the Board
			2019.06.21-2019.09.05	Xiamen Tsannkuen Property Services Co., Ltd.	Chairman of the Board
			2019.12.23-now	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Vice GM of Accounting Department
			2019.12.23-now	STAR COMGISTIC CAPITAL CO., LTD. (Taiwan)	Vice GM of Business Management Department
			2020.4.24-now	Tsann Kuen (China) Enterprise Co., Ltd.	Supervisory Board chairman
Ding Hongming	Supervisor	Graduated from Department of Industrial Engineering and Management of STUST	1991.8.13-2002.10.9	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	QRA section manager
			2002.10.10-2003.8.31	Tsann Kuen (China) Enterprise Co., Ltd.	Vice manager of glass factory
			2003.9.1-2005.5.26	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Vice manager of Motor business department
			2005.5.27-2007.1.12	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice manager of Cuisinart factory
			2008.1.13-2009.8.31	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice manager of Iron business department
			2009.9.1-2014.8.31	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Manager of Central Lab

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
			2014.9.1-2015.8.31	PT.STAR COMGISTIC INDONESIA	Operations manager
			2015.9.1-2016.12.31	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Assistant manager of QRA
			2017.1.1-2017.12.31	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Operations assistant manager of PSO
			2018.1.1-now	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Assistant manager of QRA/Purchasing Department/laboratory
			2019.10.22—now	Tsann Kuen (China) Enterprise Co., Ltd.	Supervisor
Zheng Caiyun	Supervisor	Graduated from School of Economics and Management, Fujian Forestry College	2011.06- now	Tsann Kuen (China) Enterprise Co., Ltd.	Financial manager
			2008.07-2011.05	Tsann Kuen (China) Enterprise Co., Ltd.	Vice Financial Manager
			1998.08-2008.06	Tsann Kuen (China) Enterprise Co., Ltd.	Account Specialist
			2014.03.05-2020.4.28	East Sino Development Limited (HK)	Director
			2017.04.28-now	Orient Star Investments Limited (HK)	Director
			2016.03.02-2018.10.30	Xiamen Tsann Kuen Home Appliance Design Co., Ltd.	Supervisor
			2018.06.15-2020.4.20	Tsann Kuen (Zhangzhou) Investment Co., Ltd.	Director
			2016.06-now	Tsann Kuen (China) Enterprise Co., Ltd.	Staff-representative Supervisor
			2019.9.10-now	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Director
			2019.9.10-2020.4.1	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice chairman of the Board
			2020.4.1-now	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Director
			2019.09.10-2020.4.1	Shanghai Canxing Trading Co., Ltd.	Director
			2020.4.1-now	Shanghai Canxing Trading Co., Ltd.	Supervisor
			2019.10.14-now	PT.STAR COMGISTIC INDONESIA	Supervisor
2019.10.14-now	PT.STAR COMGISTIC PRORERTY DEVELOPMENT INDONESIA	Supervisor			
Sun Meimei	Board Secretary	China Institute of Information Management with a degree in Business Administration	2011.04-now	Tsann Kuen (China) Enterprise Co., Ltd.	Board Secretary
			2005.07-2011.04	Tsann Kuen (China) Enterprise Co., Ltd.	Securities Representative

Name	Position	Educational background	Main working experience and chief responsibilities in the Company		
Wu Jianhua	Financial Chief	Graduated from Department of Accounting of Fuzhou University	2003.9.1-2006.6.30	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Accounting Department clerk
			2006.7.1-2006.12.31	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Head of Cost Section of Accounting Department
			2007.1.1-2008.6.30	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Head of General Account Section of Accounting Department
			2008.7.1-2010.5.31	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Head of Sales Section of Accounting Department
			2010.6.1-2014.4.30	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice manager of Cost /Accounts Payable in Accounting Department
			2014.5.1-2019.3.21	Tsann Kuen (China) Enterprise Co., Ltd.	Vice manager of Cost /Accounts Payable in Accounting Department
			2019.3.22-now	Tsann Kuen (China) Enterprise Co., Ltd.	Accounting Department manager
			2019.3.29-now	Tsann Kuen (China) Enterprise Co., Ltd.	Financial Chief
			2019.5.14-now	Xiamen Tsann Kuen Property Service Co.,Ltd.	Supervisor
			2019.9.10-2020.4.20	Tsann Kuen (Zhangzhou) Investment Co., Ltd.	Supervisor
			2019.9.10-now	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Supervisor

Posts concurrently held in shareholding entities

√ Applicable □ Inapplicable

Name	Shareholding entity	Post	Starting date of tenure	Ending date of tenure	Allowance from the shareholding entity
Cai Yuansong	EUPA Industry Corporation Limited (HK)	Director	2018-08-14		No
Cai Yuansong	Fillman Investments Limited (HK)	Director	2018-08-14		No
Cai Yuansong	Fordchee Development Limited (HK)	Director	2018-08-14		No
Remark:					

Posts held concurrently in other entities

√ Applicable □ Inapplicable

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from other entity
Pan Zhirong	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Chairman of the Board	2014-05-27		No
Pan Zhirong	PT.STAR COMGISTIC INDONESIA	Chairman of the Board	2014-06-11		No
Pan Zhirong	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Chairman of the Board	2015-02-25		No
Pan Zhirong	Orient Star Investments Limited (HK)	Director	2015-05-20		No
Pan Zhirong	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Chairman of the Board	2019-01-02		No
Pan Zhirong	Shanghai Canxing Trading Co., Ltd.	Chairman of the Board	2019-01-02		No
Lin Jidian	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Chairman of the Board	2020-03-31		Yes
Lin Jidian	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	CEO	2020-04-28		Yes
Lin Jidian	STAR COMGISTIC CAPITAL CO., LTD. (Taiwan)	Chairman of the Board	2020-03-31		Yes
Lin Jidian	Tsannkuen Edge Intelligence Co., Ltd. (Taiwan)	Supervisor	2020-01-08		No
Lin Jidian	Tsann Kuen Japan Co., Ltd.	Director	2020-04-01		No
Lin Jidian	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Supervisor	2020-04-01		No
Lin Jidian	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director	2020-04-01		No

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from other entity
Lin Jidian	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Vice chairman of the Board	2020-04-01		No
Lin Jidian	STARCOMGISTIC SINGAPORE PTE.LTD.	Director	2020-04-21		No
Lin Jidian	STARCOMGISTIC AUSTRALIA PTY LTD	Director	2020-04-21		No
Lin Jidian	Wu Wha Ma International Co., Ltd. (Taiwan)	Director	2020-04-20		No
Lin Jidian	Sino Global Development Ltd. (HK)	Director	2020-04-21		No
Lin Jidian	Gold mine chain enterprise Co., Ltd (Taiwan)	Director	2020-04-24		No
Lin Jidian	Dali Investment Co., Ltd. (Taiwan)	Chairman of the Board	2021-03-11		No
Cai Yuansong	Thermaster Electronic (Xiamen) Ltd.	Director	1997-09-02		No
Cai Yuansong	Sekond Creative Design Co., Ltd. (Taiwan)	Chairman of the Board	2011-06-01		Yes
Cai Yuansong	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Director	2017-04-21		No
Cai Yuansong	EUPA Industry Corporation Limited (HK)	Director	2018-08-14		No
Cai Yuansong	Fillman Investments Limited (HK)	Director	2018-08-14		No
Cai Yuansong	Fordchee Development Limited (HK)	Director	2018-08-14		No
Cai Yuansong	STAR COMGISTIC CAPITAL CO., LTD.	Director	2020-02-25		Yes
Cai Yuansong	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Director	2020-02-25		Yes
Cai Yuansong	Tsann Kuen China (Shanghai) Enterprise Co., Ltd.	Director	2020-04-01		No
Cai Yuansong	Tsann Kuen Japan Co., Ltd.	Chairman of the Board	2020-04-09		No
Cai Yuansong	Gold mine chain enterprise Co., Ltd (Taiwan)	Director	2020-04-24		No
Cai Yuansong	WISE LAND PROPERTIES LIMITED (HK)	Director	2020-04-29		No
Cai Yuansong	WORLD KINGDOM PROPERTIES LIMITED (HK)	Director	2020-04-29		No
Cai Yuansong	East Sino Development Limited (HK)	Director	2020-04-29		No
Wang Youliang	AXA Insurance Agent Co., Ltd. (Taiwan)	Director	2018-06-01		No

Name	Other entity	Post	Starting date of tenure	Ending date of tenure	Allowance from other entity
Wang Youliang	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Assistant manager of Finance Department	2018-12-01		Yes
Wang Youliang	Wu Wha Ma International Co., Ltd. (Taiwan)	Supervisor	2019-09-25		No
Wang Youliang	Gold mine chain enterprise Co., Ltd (Taiwan)	Supervisor	2020-04-24		No
Wang Youliang	Dali Investment Co., Ltd. (Taiwan)	Supervisor	2021-03-11		No
Ge Xiaoping	BDO-Xiamen Branch	Senior consultant	2019-05-01		Yes
Liu Luhua	Fujian Tianyi Law Firm	Partner, vice director	1993-06-01		Yes
Liu Luhua	Xiamen Arbitration Commission	Arbitrator	2002-03-01		Yes
Liu Luhua	Xiamen University Tan Kah Kee College	Part-time associate professor	2012-05-01		Yes
Liu Luhua	Xiamen Chengtun Mining Co., Ltd.	Independent director	2020-07-31		Yes
Wu Yibing	Accounting Department of School of Management, Xiamen University	Associate professor	2014-08-01		Yes
Yang Yongquan	Tsann Kuen Enterprise Co., Ltd. (Taiwan)	Vice GM of Accounting Department	2019-12-23		Yes
Yang Yongquan	STAR COMGISTIC CAPITAL CO., LTD. (Taiwan)	Vice GM of Business Management Department	2019-12-23		Yes
Ding Hongming	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Assistant manager of Quality Assurance Department/Purchasing Department/Laboratory	2018-01-01		Yes
Zheng Caiyun	Orient Star Investments Limited (HK)	Director	2017-04-28		No
Zheng Caiyun	Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	Director	2019-09-10		No
Zheng Caiyun	Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	Director	2020-04-01		No
Zheng Caiyun	Shanghai Canxing Trading Co., Ltd.	Supervisor	2020-04-01		No
Zheng Caiyun	PT.STAR COMGISTIC INDONESIA	Supervisor	2019-10-14		No
Zheng Caiyun	PT.STAR COMGISTIC PRORERTY DEVELOPMENT INDONESIA	Supervisor	2019-10-14		No
Remark:					

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	54	Incumbent	117.00	No
He Zongyuan	Director	Male	66	Former	0.58	Yes
Xu Degeng	Director	Male	49	Former	48.00	No
Cai Yuansong	Director	Male	64	Incumbent	3.60	No
Lin Jidian	Director	Male	52	Incumbent	2.47	Yes
Wang Youliang	Director	Male	52	Incumbent	2.47	Yes
Bai Shaoxiang	Independent director	Male	48	Former	3.63	No
Tang Jinmu	Independent director	Male	55	Former	4.55	No
Ge Xiaoping	Independent director	Female	58	Incumbent	13.92	No
Liu Luhua	Independent director	Male	51	Incumbent	8.23	No
Wu Yibing	Independent director	Male	39	Incumbent	8.23	No

Name	Office title	Gender	Age	Incumbent/former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Xu Xiaowan	Supervisor	Female	49	Former	0.75	Yes
Yang Yongquan	Supervisor	Male	56	Incumbent	1.65	Yes
Ding Hongming	Supervisor	Male	55	Incumbent	41.40	No
Zheng Caiyun	Supervisor	Male	45	Incumbent	22.11	No
Wu Jianhua	Financial Chief	Male	41	Incumbent	21.27	No
Sun Meimei	Board Secretary	Female	47	Incumbent	15.95	No
Total					315.81	

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

Applicable Inapplicable

V. Employees

1. Number, functions and educational backgrounds of employees

Item	Total
Number of in-service employees of the Company	154
Number of in-service employees of main subsidiaries	4,459
Total number of in-service employees	4,613
Total number of employees with remuneration in this reporting period	5,064
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	0	Sales	95
Master	13	Financial	46
Bachelor	196	Technical	355
College graduates	267	Administrative	683
Below college	4,137	Production	3,434
Total	4,613	Total	4,613

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 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
2019 Annual Meeting of Shareholders	Annual	44.88%	04/24/2020	04/25/2020	www.cninfo.com.cn
The First Special Meeting of Shareholders in 2020	Special	44.90%	08/28/2020	08/29/2020	www.cninfo.com.cn

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

Applicable Inapplicable

V. Performance of independent directors in this reporting period

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

Attendance of independent directors in board meetings 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)
Tang Jinmu	1	0	1	0	0	No	0
Bai Shaoxiang	1	0	1	0	0	No	1
Ge Xiaoping	7	5	1	1	0	No	2
Liu Luhua	6	5	0	1	0	No	1
Wu Yibing	6	5	1	0	0	No	1

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

Yes No

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

Yes No

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 2020 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, one meeting was held:

1. The 2021 Annual Budget Report was reported on the First Meeting of the Board of Directors' Strategy Committee for 2020 held on 10 December 2020.

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

During the reporting period, six meetings were held:

1. The First Meeting of the Board of Directors' Audit Committee for 2020 was held on 14 March 2020, on which the following proposals were reviewed and approved: internal self-evaluation report for 2019, annual report for 2019 and the abstract, annual financial statements for 2019, annual profit distribution planning for 2019, the final report for 2019 on the audit working of the Company made by Ruihua CPA, Annual Estimated Routine Related-party Transactions for 2020, changes in accounting policies, the motion on the asset management of the company-owned fund by the controlling subsidiary Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. and the motion on the asset management of the company-owned fund by the controlling grandchildren company Tsann Kuen China (Shanghai) Enterprise Co., Ltd.

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 2018 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.

2. The Second Meeting of the Board of Directors' Audit Committee for 2020 held on 24 April 2020 elected the convener of the Fifth Board of Directors' Audit Committee.

3. The Third Meeting of the Board of Directors' Audit Committee for 2020 held on 28 April 2020 reviewed and approved the First Quarter Report for 2020 and the Abstract.

4. The Fourth Meeting of the Board of Directors' Audit Committee for 2020 held on 4 August 2020 reviewed and

approved Semi-annual Report for 2020 and the Abstract.

5. The Fifth Meeting of the Board of Directors' Audit Committee for 2020 held on 27 October 2020 reviewed and approved the Third Quarter Report and the Abstract.

6. The Sixth Meeting of the Board of Director's Audit Committee for 2020 held on 10 December 2020 reviewed and approved the Audit Scheme for 2021.

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

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

1. The First Meeting of the Nomination, Remuneration and Appraisal Committee of the Board for 2020 held on 14 March 2020 reviewed and approved the summary report on the performance of duties by the Nomination, Remuneration and Appraisal Committee of the Board for 2019.

2. The Second Meeting of the Nomination, Remuneration and Appraisal Committee of the Board for 2020 held on 24 April 2020 elected the convener of the Fifth 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

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		03/20/2021
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	<p>Serious defect: Refer to one or several controlling defects groups in the enterprise which lead to the enterprise's serious deviation from controlling target.</p> <p>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.</p> <p>Common defect: Refer to any financial-report related internal control defect that does not constitute serious defect or important defect.</p>	<p>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.</p> <p>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.</p> <p>Common defect: Has occurred or is about to cause harm to the health of workers or citizens Company reputation-negative news spread around certain region damaging the Company's reputation to some extent</p>
Quantitative standard	<p>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.</p> <p>Important defect: Within 3%~5% of total profits of consolidated statements in recent period</p>	<p>Serious defect: RMB5 million (including RMB5 million) or above.</p> <p>Important defect: Within RMB1 million (including RMB1 million) to RMB5 million (including RMB5 million)</p> <p>Common defect: less than RMB1 million</p>

	<p>Within 0.5%~1% of total assets of consolidated statements in recent period</p> <p>Within 1%~2% of total operation revenue of consolidated statements in recent period</p> <p>Common defect:</p> <p>< 3% of total profits of consolidated statements in recent period < 0.5% of total assets of consolidated statements in recent period < 1% of total operation revenue of consolidated statements in recent period</p> <p>A serious violation of laws, regulations and rules and the government's policy, lead to fines and penalty</p>	
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. 2020.	
Auditor's report on internal control disclosed or not	Disclosed
Disclosure date	03/20/2021
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	03/20/2021
Name of audit institution	RSM China
No. of audit report	RSM Shen Zi [2021] NO. 518Z0032
Name of CPA	Chen Lianwu, Ren Xiaochao

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.

20 March 2021

Auditor's Report

TsannKuen (China) Enterprise Co., Ltd.
RSMSZ[2021] NO. 518Z0032

RSM CHINA CPA LLP
CHINA·BEIJING

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Auditor's Report

RSM SZ [2021] NO.518Z0032

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

I. Opinion

We have audited the financial statements of TsannKuen (China) Enterprise Co., Ltd. (hereafter referred to as “the Company”), which comprises the consolidated and the parent company’s statement of financial position as of 31 December 2020, the consolidated and the parent company’s statement of profit or loss and other comprehensive income, the consolidated and the parent company’s statement of cash flows, the consolidated and the parent company’s statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying the Company’s financial statements present fairly, in all material respects, the consolidated and the company’s financial position as of 31 December 202, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing (CSAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidences we obtained are sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of the most significance in our audit of the financial statements of the current period. These matters are addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

i) Impairment allowance for inventories

a. Description

Please refer to Note 3.11 “Inventories” of the accounting policies and Note 3.28 “Significant Accounting Judgments and Estimates” of the accounting assessments and estimation of impairment allowance for inventories, and please refer to Note 5.7 “Inventories” to the financial statement of the relevant disclosures.

As of 31 December 2020, the closing balance of inventories in the Company’s consolidated statement is CNY 255,052,077.36, and impairment allowance for inventories is CNY 26,513,236.52. At the balance sheet date, impairment test is carried out by management and impairment allowance for inventories is made if the cost is higher than the net realizable value. Net realizable value is determined by the estimated selling prices minus the estimated costs of completion, the estimated selling expenses, and related taxes.

Management needs to make significant judgments and assumptions in the forecast, especially for future selling prices, production costs, operating expenses and related taxes and fees. Due to the complexity of the impairment test, the annual inventory impairment test involves key judgments and estimates, and therefore, we listed the inventory impairment allowance as a key audit item.

b. Audit Response

In response to the Company’s inventory impairment allowance, we have implemented the following audit procedures:

- a) To understand and evaluate the effectiveness of the design and operation of management's internal controls related to inventory impairments allowance.
- b) To obtain the aging list of inventory and review the aging list and turn over situation, and to discuss the accounting estimation of inventory impairment allowance with management, to assess the reasonable of the inventory impairment allowance.
- c) To perform the inventory observation procedures, to check the quantities and status of inventories, and inspect inventory products with high value or idle.
- d) For products that were able to obtain open market sales prices, we independently looked up the open market price information and compare them to the estimated selling prices.
- e) For products that were not able to obtain open market sales prices, we selected samples to compare the estimated selling prices with the actual selling prices in the near future or subsequent period.
- f) To select samples to compare costs of completion with similar raw materials and work in process in the current year, and assessed the rationality of the costs of completion estimated by the Company.

ii) Recognition of Revenue

a. Description

Please refer to Note 3.24 of accounting policy of revenue, and please refer to Note 5.32 to the financial statement of the relevant disclosures.

In 2020, the operating revenue of the consolidated financial statements is CNY 2,144,181,738.33, an increase of 7.11% over the previous period.

Since operating revenue is one of the Company's key performance indicators, and changes in gross profit margin have a significant impact on the operating results of current period of the Company, we identify revenue recognition as a key audit matter.

b. Audit Response

In response to the Company's recognition of revenues, we have implemented the following audit procedures:

- a) To understand and evaluate the effectiveness of the design and operation of management's internal control related to revenue recognition.
- b) Selecting samples to check the sales contracts and combining with interviews with management to identify contract terms and conditions related to the transfer of risks and rewards on product ownership, and to evaluate the timing of transfer of significant risks and rewards related to product sales confirmation, evaluating whether the timing of the company's revenue recognition comply with the requirements of corporate accounting standards.
- c) Selecting samples of sales transactions during this year, checking the collection records, sales invoices, sales receipts, performing confirmation letter or other alternative test procedures for the closing balance of accounts receivable, and audit the authenticity of sales.
- d) Performing analytical procedures, including analyzing monthly revenue, cost, and gross profit margin fluctuations for the current period; analyzing the revenue, cost, and gross margin fluctuations between the current period and the previous period. The factor analysis method is used to analyze the influence of each factor on gross profit, and analyze the reasonableness of each factor affecting the gross profit.
- e) For revenues recognized before and after the balance sheet date, we performed sales cut-off test, including checking the outbound orders, export declarations and other supporting documents to assess whether the revenues were included in the appropriate accounting period.

IV. Other information

Management of the Company is responsible for the other information. The other

information comprises the information included in the Annual Report of the Company for the year of 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards of Business Enterprises, and for the design, implementation, and maintenance of such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CSA to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

vi) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(There is no text on this page, it is the stamp and signature page for the report RSM SZ [2021] NO.518Z0032 of the Company.)

RSM China CPA LLP

CICPA:

Chen lian wu

China·Beijing

CICPA:

Ren xiao chao

20 March 2021

**Consolidated Statement of Financial Position
as at 31 December 2020**

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

Unit: Yuan

Currency: CNY

Item	Note	2020/12/31	2019/12/31	Item	Note	2020/12/31	2019/12/31
Current assets:				Current liabilities			
Cash and cash equivalents	5.1	707,794,598.20	639,623,201.98	Short-term borrowings	5.17	16,345,141.13	-
Held-for-trading financial assets	5.2	720,821,900.00	3,620,689.00	Held-for-trading financial liabilities	5.18	-	638,800.00
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable	5.3	-	274,548.00	Notes payable	5.19	7,521,531.97	16,429,247.30
Accounts receivable	5.4	431,006,560.62	285,995,412.05	Accounts payable	5.20	874,962,887.93	594,978,594.45
Accounts receivable financing				Advances from customers	5.21	6,853,100.03	13,294,285.78
Advances to suppliers	5.5	2,622,554.07	3,112,312.06	Contract liabilities	5.22	25,605,755.71	N/a.
Other receivables	5.6	31,938,548.59	29,271,999.53	Employee benefits payable	5.23	51,262,265.67	46,433,996.56
Including: Interests receivable		-	-	Taxes payable	5.24	20,238,247.17	19,660,673.84
Dividend receivable		-	-	Other payables	5.25	52,803,158.48	48,482,744.38
Inventories	5.7	255,052,077.36	222,155,587.38	Including: Interests payables		-	-
Contract assets		-	N/a.	Dividend payables		-	-
Assets classified as held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year		-	-
Other current assets	5.8	18,634,037.60	501,139,597.55	Other current liabilities			-
Total current assets		2,167,870,276.44	1,685,193,347.55	Total current liabilities		1,055,592,088.09	739,918,342.31
Non-current assets:				Non-current liabilities:			
Debt investments				Long-term borrowings			
Other debt investments				Bonds payable			
Long-term receivables				Including: Preference share			
Long-term equity investments		-	-	Perpetual capital securities			

Item	Note	2020/12/31	2019/12/31	Item	Note	2020/12/31	2019/12/31
Other equity instrument investment	5.9	40,000.00	40,000.00	Long-term payables		-	-
Other non-current financial assets				Long-term employee benefits payable	5.26	312,775.91	425,896.17
Investment properties	5.10	21,255,610.91	22,991,059.81	Estimated liabilities		-	-
Fixed assets	5.11	164,338,962.07	185,749,835.56	Deferred income		-	-
Construction in progress	5.12	728,529.68	2,921,901.51	Deferred tax liabilities	5.15	51,425,551.57	48,835,721.94
Productive biological assets				Other non-current liabilities		-	-
Oil and gas assets				Total non-current liabilities		51,738,327.48	49,261,618.11
Intangible assets	5.13	29,346,312.82	30,733,280.24	Total liabilities		1,107,330,415.57	789,179,960.42
Research and development expenditure				Owners' equity			
Goodwill				Share capital	5.27	185,391,680.00	185,391,680.00
Long-term deferred expenses	5.14	6,831,730.07	7,225,915.80	Other equity instruments			
Deferred tax assets	5.15	15,590,322.49	20,587,480.85	Including: Preference shares			
Other non-current assets	5.16	2,044,702.30	1,006,014.66	Perpetual capital securities			
Total non-current assets		240,176,170.34	271,255,488.43	Capital reserves	5.28	296,808,965.79	296,808,965.79
				Less: Treasury stock			
				Other comprehensive income	5.29	1,823,063.03	7,514,750.01
				Specific reserves			
				Surplus reserves	5.30	49,087,662.68	40,499,488.55
				Retained earnings	5.31	330,918,755.61	218,523,906.99
				Total owner's equity attributable to parent company		864,030,127.11	748,738,791.34
				Non-controlling interests		436,685,904.10	418,530,084.22
				Total owners' equity		1,300,716,031.21	1,167,268,875.56
Total assets		2,408,046,446.78	1,956,448,835.98	Total liabilities and owners' equity		2,408,046,446.78	1,956,448,835.98

Legal Representative:

Chief Financial Officer :

Finance Manager :

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020**

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

Unit: Yuan

Currency: CNY

Item	Note	2020	2019
I. Revenue	5.32	2,144,181,738.33	2,001,939,841.94
Including: operating revenue	5.32	2,144,181,738.33	2,001,939,841.94
II. Cost of sales		1,996,500,782.99	1,888,431,236.36
Including: operating cost	5.32	1,756,750,317.90	1,665,801,087.18
Taxes and surcharges	5.33	12,053,801.96	11,493,436.80
Selling and distribution expenses	5.34	55,857,793.41	63,389,947.24
General and administrative expenses	5.35	82,381,345.47	83,008,382.58
Research and development expenses	5.36	61,944,782.42	71,898,743.35
Finance costs	5.37	27,512,741.83	-7,160,360.79
Including: Interest expense	5.37	433,614.88	941,366.70
Interest income	5.37	14,782,907.49	5,218,650.55
Add: Other income	5.38	6,241,497.95	4,979,380.03
Investment income/(losses)	5.39	43,371,745.54	18,069,441.54
Including: Investment income from associates and joint ventures		-	-
Gains/(losses) from derecognition of financial assets measured at amortised cost		-	-
Income/(losses) from net exposure hedging		-	-
Gains/(losses) from changes in fair values	5.40	17,840,011.00	1,541,189.00
Impairment loss of credit	5.41	-41,845.03	-1,186,738.45
Impairment loss of asset	5.42	-9,241,368.18	-13,657,041.57
Gains/(losses) from disposal of assets	5.43	195,318.03	63,688,086.21
III. Profit/(loss) from operations		206,046,314.65	186,942,922.34
Add: Non-operating income	5.44	5,986,192.66	27,300,416.65
Less: Non-operating expenses	5.45	1,317,230.70	834,405.40
IV. Profit/(loss) before tax		210,715,276.61	213,408,933.59
Less: Income tax expenses	5.46	24,744,852.06	49,353,924.80
V. Net profit/(loss) for the year		185,970,424.55	164,055,008.79
(I) Net profit/(loss) by continuity			

Item	Note	2020	2019
Net profit/(loss) from continuing operation		185,970,424.55	164,055,008.79
Net profit/(loss) from discontinued operation			
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		139,522,190.75	105,233,212.02
Attributable to non-controlling interests		46,448,233.80	58,821,796.77
VI. Other comprehensive income for the year, after tax	5.47	-7,588,915.97	2,118,961.53
(a) Attributable to owners of the parent	5.47	-5,691,686.98	1,589,221.15
(i) Items that will not be reclassified subsequently to profit or loss	5.47	70,226.49	8,394.48
1. Remeasurement of the net defined benefit liability (asset)	5.47	70,226.49	8,394.48
2. Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
3. Changes in fair value of other equity instrument investment			
4. Changes in fair value of the Company's own credit risks			
(ii) Items that may be reclassified subsequently to profit or loss	5.47	-5,761,913.47	1,580,826.67
1. Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in fair value of other debt instrument investment			
3. Other comprehensive income arising from the reclassification of financial assets			
4. Provision for credit impairment in other debt investments			
5. Reserve for cash flow hedges			
6. Exchange differences on translating foreign operations	5.47	-5,761,913.47	1,580,826.67
(b) Attributable to non-controlling interests	5.47	-1,897,228.99	529,740.38
VII. Total comprehensive income for the year		178,381,508.58	166,173,970.32
Attributable to owners of the parent		133,830,503.77	106,822,433.17
Attributable to non-controlling interests		44,551,004.81	59,351,537.15
VIII. Earnings per share:			
Basic earnings per share	14.2	0.75	0.57
Diluted earnings per share	14.2	0.75	0.57

Legal Representative:

Chief Financial Officer:

Finance Manager:

**Consolidated Statement of Cash Flows
for the year ended 31 December 2020**

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

Unit: Yuan

Currency: CNY

Item	Note	2020	2019
I. Cash flows from operating activities			
Cash received from the sale of goods and the rendering of services		1,933,508,028.72	1,955,902,503.92
Cash received from tax refund		128,505,987.51	158,146,279.37
Other cash received relating to operating activities	5.48	79,028,235.30	89,198,956.43
Subtotal of cash inflows from operating activities		2,141,042,251.53	2,203,247,739.72
Cash payments for goods purchased and services received		1,400,547,701.80	1,650,115,355.00
Cash payments to and on behalf of employees		282,939,721.63	283,829,082.26
Payments of taxes		33,505,720.46	24,500,977.75
Other cash payments relating to operating activities	5.48	108,778,024.40	101,182,036.73
Subtotal of cash outflows from operating activities		1,825,771,168.29	2,059,627,451.74
Net cash flows from operating activities		315,271,083.24	143,620,287.98
II. Cash flows from investing activities			
Cash received from disposal and redemption of investments		566,712,167.00	620,000,000.00
Cash received from returns on investments		20,450,321.92	21,778,521.54
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		3,312,025.54	68,470,997.38
Net cash received from disposals of subsidiaries and other business units		-	-
Other cash received relating to investing activities	5.48	266,214,151.16	228,047,963.79
Subtotal of cash inflows from investing activities		856,688,665.62	938,297,482.71
Cash payments to acquire fixed, intangible and other long-term assets		45,058,052.50	59,768,023.19
Cash payments to acquire investments		760,815,847.78	592,665,278.14
Net cash payments to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities	5.48	266,214,151.16	228,047,963.79
Subtotal of cash outflows from investing activities		1,072,088,051.44	880,481,265.12
Net cash flows from investing activities		-215,399,385.82	57,816,217.59
III. Cash flows from financing activities			
Cash received from capital contributions		-	-
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries		-	-

Cash received from borrowings		97,907,340.00	71,995,400.00
Other cash received relating to financing activities	5.48	-	21,200,000.00
Subtotal of cash inflows from financing activities		97,907,340.00	93,195,400.00
Cash repayments of debts		80,248,680.00	83,696,417.30
Cash payments for dividends, distribution of profit and interest expenses		45,359,949.52	15,896,786.82
Including: Dividends, distribution of profit paid by subsidiaries to minority shareholders		26,395,184.93	8,481,119.57
Other cash payments relating to financing activities	5.48	34,993,391.52	
Subtotal of cash outflows from financing activities		160,602,021.04	99,593,204.12
Net cash flows from financing activities		-62,694,681.04	-6,397,804.12
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-3,999,011.68	-3,907,794.94
V. Net increase / (decrease) in cash and cash equivalents		33,178,004.70	191,130,906.51
Plus: Cash and cash equivalents at the beginning of the period		639,623,201.98	448,492,295.47
VI. Cash and cash equivalents at the end of the period		672,801,206.68	639,623,201.98

Legal Representative:

Chief Financial Officer:

Finance Manager:

**Consolidated Statement of Changes in Owners' Equity
for the year ended 31 December 2020**

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

Unit: Yuan Currency: CNY

Item	2020												
	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal		
	Preference shares	Perpetual capital securities	Others										
I. Balance at 31 December 2019	185,391,680.00	-	-	-	296,808,965.79	-	7,514,750.01	-	40,499,488.55	218,523,906.99	748,738,791.34	418,530,084.22	1,167,268,875.56
Add: Changes in accounting policy											-		-
Correction of prior period errors											-		-
Business combination under common control											-		-
Others											-		-
II. Balance at 1 January 2020	185,391,680.00	-	-	-	296,808,965.79	-	7,514,750.01	-	40,499,488.55	218,523,906.99	748,738,791.34	418,530,084.22	1,167,268,875.56
III. Changes in equity during the reporting period	-	-	-	-	-	-	-5,691,686.98	-	8,588,174.13	112,394,848.62	115,291,335.77	18,155,819.88	133,447,155.65
(i) Total comprehensive income							-5,691,686.98			139,522,190.75	133,830,503.77	44,551,004.81	178,381,508.58
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders													
2. Capital contributed by holders of other equity instruments													
3. Share-based payments recognised in owners' equity													
4. Others													
(iii) Profit distribution	-	-	-	-	-	-	-	-	8,588,174.13	-27,127,342.13	-18,539,168.00	-26,395,184.93	-44,934,352.93
1. Withdrawal of surplus reserves									8,588,174.13	-8,588,174.13	-		-
2. Profit distribution to owners (or shareholders)										-18,539,168.00	-18,539,168.00	-26,395,184.93	-44,934,352.93
3. Others													
(iv) Transfer between owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital													
2. Surplus reserves transfer to share capital													
3. Surplus reserves used to cover accumulated deficits													
4. Defined benefit plan transfer to retained earnings													
5. Other comprehensive income transfer to retained earnings													
6. Others													
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period													
2. Usage during the reporting period													
(vi) Others													
IV. Balance at 31 December 2020	185,391,680.00	-	-	-	296,808,965.79	-	1,823,063.03	-	49,087,662.68	330,918,755.61	864,030,127.11	436,685,904.10	1,300,716,031.21

Item	2019												Non-controlling interests	Total owners' equity
	Owners' equity attributable to the parent company													
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal			
	Preference shares	Perpetual capital securities	Others											
I. Balance at 31 December 2018	185,391,680.00				296,808,965.79		5,924,132.67		37,804,354.59	122,872,551.30	648,801,684.35	367,597,191.43	1,016,398,875.78	
Add: Changes in accounting policy							1,396.19		34,291.54	494,653.29	530,341.02	62,475.21	592,816.23	
Correction of prior period errors														
Business combination under common control														
Others														
II. Balance at 1 January 2019	185,391,680.00	-	-	-	296,808,965.79	-	5,925,528.86	-	37,838,646.13	123,367,204.59	649,332,025.37	367,659,666.64	1,016,991,692.01	
III. Changes in equity during the reporting period	-	-	-	-	-	-	1,589,221.15	-	2,660,842.42	95,156,702.40	99,406,765.97	50,870,417.58	150,277,183.55	
(i) Total comprehensive income							1,589,221.15			105,233,212.02	106,822,433.17	59,351,537.15	166,173,970.32	
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Ordinary shares contributed by shareholders														
2. Capital contributed by holders of other equity instruments														
3. Share-based payments recognised in owners' equity														
4. Others														
(iii) Profit distribution	-	-	-	-	-	-	-	-	2,660,842.42	-10,076,509.62	-7,415,667.20	-8,481,119.57	-15,896,786.77	
1. Withdrawal of surplus reserves									2,660,842.42	-2,660,842.42				
3. Profit distribution to owners (or shareholders)										-7,415,667.20	-7,415,667.20	-8,481,119.57	-15,896,786.77	
4. Others														
(iv) Transfer between owner' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Capital reserves transfer to share capital														
2. Surplus reserves transfer to share capital														
3. Surplus reserves used to cover accumulated deficits														
4. Defined benefit plan transfer to retained earnings														
5. Other comprehensive income transfer to retained earnings														
6. Others														
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Withdrawal during the reporting period														
2. Usage during the reporting period														
(vi) Others														
IV. Balance at 31 December 2019	185,391,680.00	-	-	-	296,808,965.79	-	7,514,750.01	-	40,499,488.55	218,523,906.99	748,738,791.34	418,530,084.22	1,167,268,875.56	

Legal Representative:

Chief Financial Officer:

Finance Manager:

**Statement of Financial Position of Parent Company
as at 31 December 2020**

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

Unit: Yuan

Currency: CNY

Assets	Note	2020/12/31	2019/12/31	Liabilities and owners' equity	Note	2020/12/31	2019/12/31
Current assets:				Current liabilities			
Cash and cash equivalents		7,767,004.93	7,624,622.27	Short-term borrowings		-	-
Held-for-trading financial assets		-	-	Held-for-trading financial liabilities		-	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable		-	274,548.00	Notes payable		-	-
Accounts receivable	13.1	2,710,138.48	5,867,958.20	Accounts payable		31,990,751.46	40,632,779.54
Accounts receivable financing				Advances from customers		1,101,005.38	1,826,178.67
Advances to suppliers		32,124.35	96,278.32	Contract liabilities		224,884.11	N/a.
Other receivables	13.2	3,311,425.63	2,622,732.62	Employee benefits payable		7,903,368.21	7,403,395.56
Including: Interests receivable		-	-	Taxes payable		1,896,604.41	1,255,578.53
Dividend receivable		-	-	Other payables		168,453,443.56	238,315,460.56
Inventories		1,457,947.89	4,155,837.12	Including: Interests payables		-	-
Contract asset			N/a.	Dividend payables		-	-
Assets classified as held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year		-	-
Other current assets		-	-	Other current liabilities		-	-
Total current assets		15,278,641.28	20,641,976.53	Total current liabilities		211,570,057.13	289,433,392.86
Non-current assets:				Non-current liabilities:			
Debt investments				Long-term borrowings			
Other debt investments				Bonds payable			
Long-term receivables				Including: Preference share			
Long-term equity investments	13.3	923,414,701.56	923,414,701.56	Perpetual capital			

Assets	Note	2020/12/31	2019/12/31	Liabilities and owners' equity	Note	2020/12/31	2019/12/31
				securities			
Other equity instrument investment		40,000.00	40,000.00	Long-term payables			
Other non-current financial assets				Long-term employee benefits payable			
Investment properties		25,202,712.69	27,532,926.93	Estimated liabilities			
Fixed assets		606,019.76	963,505.93	Deferred income			
Construction in progress		-	355,339.84	Deferred tax liabilities			
Productive biological assets				Other non-current liabilities			
Oil and gas assets				Total non-current liabilities		-	-
Intangible assets		-	2,249.99	Total liabilities		211,570,057.13	289,433,392.86
Research and development expenditure				Owners' equity			
Goodwill				Share capital		185,391,680.00	185,391,680.00
Long-term deferred expenses		641,932.25	590,108.66	Other equity instruments			
Deferred tax assets		3,961,079.97	6,125,040.53	Including: Preference shares			
Other non-current assets		-	-	Perpetual capital securities			
Total non-current assets		953,866,446.23	959,023,873.44	Capital reserves		271,490,289.82	271,490,289.82
				Less: Treasury stock			
				Other comprehensive income		-	-
				Specific reserves			
				Surplus reserves		49,087,662.68	40,499,488.55
				Retained earnings		251,605,397.88	192,850,998.74
				Total owners' equity		757,575,030.38	690,232,457.11
Total assets		969,145,087.51	979,665,849.97	Total liabilities and owners' equity		969,145,087.51	979,665,849.97

Legal Representative:

Chief Financial Officer:

Finance Manager:

**Statement of Profit or Loss and Other Comprehensive Income of Parent Company
for the year ended 31 December 2020**

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

Unit: Yuan

Currency: CNY

Item	Note	2020	2019
I. Revenue	13.4	68,883,738.63	82,165,558.32
Less: Costs of sales	13.4	51,844,199.89	62,973,095.21
Taxes and surcharges		3,075,220.21	2,067,746.41
Selling and distribution expenses		2,732,391.99	4,110,826.64
Administrative expenses		3,926,459.53	6,602,895.94
Research and development expenses		-	-
Finance costs		-61,043.76	-96,658.30
Including: Interest expense			
Interest income		135,260.63	144,864.48
Add: Other income		143,424.10	72,081.85
Investment income/(losses)	13.5	79,185,554.77	25,443,358.87
Including: Investment income from associates and joint ventures			
Gains /(losses) from derecognition of financial assets measured at amortised cost			
Income /(losses) from net exposure hedging			
Gains/(losses) from changes in fair values		-	-
Impairment loss of credit		1,417,920.25	91,100.66
Impairment loss of asset		-493,315.66	-1,501,628.65
Gains/(losses) from disposal of assets		-	-
II. Profit/(loss) from operations		87,620,094.23	30,612,565.15
Add: Non-operating income		545,569.95	703,468.01
Less: Non-operating expenses		119,962.35	94.60
III. Profit/(loss) before tax		88,045,701.83	31,315,938.56
Less: Income tax expenses		2,163,960.56	4,707,514.35
IV. Net profit/(loss) for the year		85,881,741.27	26,608,424.21
Net profit/(loss) from continuing operation		85,881,741.27	26,608,424.21
Net profit/(loss) from discontinued operation			
V. Other comprehensive income for the year, after tax		-	-
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1.Remeasurement of the net defined benefit liability (asset)			

2. Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
3. Changes in fair value of other equity instrument investment			
4. Changes in fair value of the Company's own credit risks			
(ii) Items that may be reclassified subsequently to profit or loss		-	-
1. Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in fair value of other debt instrument investment			
3. Other comprehensive income arising from the reclassification of financial assets			
4. Provision for credit impairment in other debt investments			
5. Reserve for cash flow hedges			
6. Exchange differences on translating foreign operations			
VII. Total comprehensive income for the year		85,881,741.27	26,608,424.21

Legal Representative:

Chief Financial Officer :

Finance Manager :

**Statement of Cash Flows of Parent Company
for the year ended 31 December 2020**

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

Unit: Yuan

Currency: CNY

Item	Note	2020/12/31	2019/12/31
I. Cash flows from operating activities			
Cash received from the sale of goods and the rendering of services		65,664,448.37	86,819,019.73
Cash received from tax refund		-	
Other cash received relating to operating activities		13,617,056.31	14,804,925.85
Subtotal of cash inflows from operating activities		79,281,504.68	101,623,945.58
Cash payments for goods purchased and services received		57,547,689.75	80,633,383.09
Cash payments to and on behalf of employees		1,452,471.96	1,893,059.17
Payments of taxes		5,954,002.67	5,594,861.55
Other cash payments relating to operating activities		74,575,393.44	28,378,869.41
Subtotal of cash outflows from operating activities		139,529,557.82	116,500,173.22
Net cash flows from operating activities		-60,248,053.14	-14,876,227.64
II. Cash flows from investing activities			
Cash received from disposal and redemption of investments			
Cash received from returns on investments		79,185,554.77	25,443,358.87
Net cash received from disposals of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		79,185,554.77	25,443,358.87
Cash payments to acquire fixed, intangible and other long-term assets		255,950.97	975,913.79
Cash payments to acquire investments			1,500,000.00
Net cash payments to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		255,950.97	2,475,913.79
Net cash flows from investing activities		78,929,603.80	22,967,445.08
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings			
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		-	-
Cash repayments of debts			
Cash payments for dividends, distribution of profit and interest expenses		18,539,168.00	7,415,667.20
Other cash payments relating to financing activities			
Subtotal of cash outflows from financing activities		18,539,168.00	7,415,667.20
Net cash flows from financing activities		-18,539,168.00	-7,415,667.20
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
			-36,273.41
V. Net increase / (decrease) in cash and cash equivalents			
		142,382.66	639,276.83
Plus: Cash and cash equivalents at the beginning of the period		7,624,622.27	6,985,345.44
VI. Cash and cash equivalents at the end of the period			
		7,767,004.93	7,624,622.27

Legal Representative:

Chief Financial Officer:

Finance Manager:

**Statement of Changes in Owners' Equity of Parent Company
for the year ended 31 December 2020**

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

Unit: Yuan Currency: CNY

Item	2020										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2019	185,391,680.00	-	-	-	271,490,289.82	-	-	-	40,499,488.55	192,850,998.74	690,232,457.11
Add: Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2020	185,391,680.00	-	-	-	271,490,289.82	-	-	-	40,499,488.55	192,850,998.74	690,232,457.11
III. Changes in equity during the reporting period	-	-	-	-	-	-	-	-	8,588,174.13	58,754,399.14	67,342,573.27
(i) Total comprehensive income										85,881,741.27	85,881,741.27
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by holders of other equity instruments											-
3. Share-based payments recognised in owners' equity											-
4. Others											-
(iii) Profit distribution	-	-	-	-	-	-	-	-	8,588,174.13	-27,127,342.13	-18,539,168.00
1. Withdrawal of surplus reserves									8,588,174.13	-8,588,174.13	-
2. Profit distribution to owners (or shareholders)										-18,539,168.00	-18,539,168.00
3. Others											-
(iv) Transfer between owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital											-
2. Surplus reserves transfer to share capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Defined benefit plan transfer to retained earnings											-
5. Other comprehensive income transfer to retained earnings											-
6. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2020	185,391,680.00	-	-	-	271,490,289.82	-	-	-	49,087,662.68	251,605,397.88	757,575,030.38

Item	2019										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2018	185,391,680.00				271,490,289.82				37,804,354.59	176,010,460.28	670,696,784.69
Add: Changes in accounting policy									34,291.54	308,623.87	342,915.41
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2019	185,391,680.00	-	-	-	271,490,289.82	-	-	-	37,838,646.13	176,319,084.15	671,039,700.10
III. Changes in equity during the reporting period	-	-	-	-	-	-	-	-	2,660,842.42	16,531,914.59	19,192,757.01
(i) Total comprehensive income										26,608,424.21	26,608,424.21
(ii) Capital contributions or withdrawals by owners	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by holders of other equity instruments											-
3. Share-based payments recognised in owners' equity											-
4. Others											-
(iii) Profit distribution	-	-	-	-	-	-	-	-	2,660,842.42	-10,076,509.62	-7,415,667.20
1. Withdrawal of surplus reserves									2,660,842.42	-2,660,842.42	-
2. Profit distribution to owners (or shareholders)										-7,415,667.20	-7,415,667.20
3. Others											-
(iv) Transfer between owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to share capital											-
2. Surplus reserves transfer to share capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Defined benefit plan transfer to retained earnings											-
5. Other comprehensive income transfer to retained earnings											-
6. Others											-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2019	185,391,680.00	-	-	-	271,490,289.82	-	-	-	40,499,488.55	192,850,998.74	690,232,457.11

Legal Representative:

Chief Financial Officer:

Finance Manager:

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

For the Year Ended 31 December 2020

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

1. BASIC INFORMATION ABOUT THE COMPANY**1.1 Corporate Information**

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 28 December 2012 with the proportion 6:1 to reduce the shares. After the implementation of share reducing model, total share capital was reduced from 1,112,350,077 shares to 185,391,680 shares of the company. Until 31 December 2020, the Company’s share capital is CNY 185,391,680.

Following The Ministry of Commerce of the People’s Republic of China approved (The No. [2005]3107 “Agreed in Principle to the Ministry of Commerce on TsannKuen (China) Enterprise Co., Ltd. Shares Traded Sponsor of the Approval”), On 6 December 2006, the Company received the [2006] No.266 file “The notice of TsannKuen (China) Enterprise Co., Ltd, concerning the Approval of non-listed Foreign Shares Traded” from China Securities Regulatory Commission. The China Securities Regulatory Commission agreed 700,476,830

unlisted shares (account for 62.97% of the share capital) held by the Company's shareholders, EUPA Industry Corporation Limited, Fordchee Development Limited, and Fillman Investment Limited to transfer into B shares. On 29 November 2007, these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to 31 December 2020, total B shares held by the three legal shareholders (EUPA Industry Corporation Limited, Fordchee Development Limited, and Fillman Investment Limited) are 82,830,966 shares after the implementation of share reducing model (Accounts for 44.68% of the share capital).

Legal representative: 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 Company was involved in the following operating activities: developing, manufacturing household appliances, electronics, light industrial products, modern office supplies. Design and manufacture of molds associated with these products in domestic and international sales of the company's products and after-sales service. Wholesale and retail household appliances, electronic products, electrical equipment, office supplies, kitchen utensils, pre-packaged food (limited to branches), import and export related business and provide after-sales service (the above description do not involve state trading commodity goods, involving quota license management products are according to the relevant provisions of the State for the regulations application).

The financial statements approved by the resolution of the Board of Directors on 20 March 2021, in accordance with the Articles of Association, the financial statements will be submitted to the shareholders meeting for consideration Conference.

1.2 Scope and changes of consolidated financial statements

11 subsidiaries were included in the scope of consolidation as of December 31 2020, please see Note 7 INTEREST IN OTHER ENTITIES for details. 1 subsidiarie is reduced from the consolidation scope in 2020. Please see Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as “Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC”). In addition, the Company complies with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC) to disclose its financial information.

2.2 Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truthfully and completely reflecting the Company’s financial position as of 31 December 2020, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

3.2 Accounting Period

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

3.3 Operating Cycle

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

3.4 Functional Currency

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

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

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

3.5.1 Business combinations under common control

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

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

3.5.2 Business combinations not under common control

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

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

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

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

3.5.3 Treatment of business combination related costs

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

3.6 Method of Preparing the Consolidated Financial Statements

3.6.1 Scope of consolidation

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

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that controlled by the Company (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

3.6.2 Special requirement as the parent company is an investment entity

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

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

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

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

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

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

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

3.6.3 Method of preparing the consolidated financial statements

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

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

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

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

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

3.6.3.4 Adjust special transactions from the perspective of the group.

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

3.6.4.1 Acquisition of subsidiaries or business

3.6.4.1.1 Subsidiaries or business acquired through business combination under common

control

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

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

- a. When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.
- b. Incomes, expenses, and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss.
- c. Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

3.6.4.3 Disposal of subsidiaries or business

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

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

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

3.6.5 Special consideration in consolidation elimination

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

financial position.

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

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

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

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

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

3.6.6 Accounting for Special Transactions

3.6.6.1 Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the separate financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid.

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

3.6.6.2 Gaining control over the subsidiary in stages through multiple transactions

3.6.6.2.1 Business combination under common control in stages through multiple transactions

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

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

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

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

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

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

3.6.6.3 Disposal of investment in subsidiaries without a loss of control

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

3.6.6.4 Disposal of investment in subsidiaries with a loss of control

3.6.6.4.1 Disposal through one transaction

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

Moreover, other comprehensive income and other changes in equity related to the equity investment in the former subsidiary shall be transferred into current investment income when control is lost, excluding other comprehensive income resulted from the remeasurement of the movement of net assets or net liabilities under defined benefit plan.

3.6.6.4.2 Disposal in stages

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

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

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

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

- a. The transactions are entered into simultaneously or in contemplation of one another.
- b. The transactions form a single transaction designed to achieve an overall commercial effect.
- c. The occurrence of one transaction depends on the occurrence of at least one other transaction.
- d. One transaction, when considered on its own merits, does not make economic sense, but when considered together with the other transaction or transactions would be considered economically justifiable.

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

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

3.7 Cash and Cash Equivalents

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

3.8 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

3.8.1 Determination of the exchange rate for foreign currency transactions

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

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

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

3.8.3 Translation of foreign currency financial statements

Before translating the financial statements of foreign operations, the accounting period and

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

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

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

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

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

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

3.9 Financial Instruments

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

3.9.1 Recognition and derecognition of financial instrument

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

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

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

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

Financial liabilities (or part thereof) are derecognised only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled

or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

3.9.2 Classification and measurement of financial assets

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortised cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise, the financial assets cannot be reclassified after initial recognition.

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

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

3.9.2.1 Financial asset at amortised cost

The financial asset at amortised cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortised cost by adopting the effective

interest rate method. Any gain or loss arising from derecognition according to the amortisation under effective interest rate method or impairment are recognised in current profit or loss.

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

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

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

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

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

3.9.3 Classification and measurement of financial liabilities

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

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

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

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognised in current profit or loss except for those hedge accounting is applied. For financial liability that is

designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to retained earnings.

3.9.3.2 Loan commitments and financial guarantee contracts

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

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

3.9.3.3 Financial liabilities at amortised cost

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

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

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

3.9.3.3.2 If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where the amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts

shall be classified as financial liabilities, regardless whether the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity's own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

3.9.4 Derivatives and embedded derivatives

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

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

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

3.9.5 Impairment of financial instrument

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

3.9.5.1 Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, which is all cash

shortfalls, discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

3.9.5.1.1 Receivables/Contract Assets

For the notes receivable, accounts receivable, other receivables, accounts receivable financing, contract assets and long-term receivables which are demonstrated to be impaired

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

a. Notes Receivables

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

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

b. Accounts Receivables

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

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

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

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

c. Other Receivables

The Company assesses whether the credit risk of other receivables has significantly increased since initial recognition, and utilizes the amount equivalent to the expected credit

loss in the next 12 months or the whole duration to measures the impairment loss accordingly. Besides the other receivables that have individually assessed credit risk, the rest of the other receivables are classified into different groups based on their credit risk characteristics:

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

3.9.5.1.2 Debt investment and other debt investment

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

3.9.5.2 Low credit risk

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

3.9.5.3 Significant increase in credit risk

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

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

- a) Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception;
- b) Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- c) An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- d) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- e) Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- f) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- g) Significant changes in the expected performance and behaviour of the borrower;
- h) Contractual payments are more than 30 days past due.

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

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

3.9.5.4 Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred

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

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

3.9.5.5 Presentation of impairment of expected credit loss

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

3.9.5.6 Write-off

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

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

3.9.6 Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to

receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

3.9.6.1 Derecognition of transferred assets

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

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

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

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

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

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

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

Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

3.9.6.2 Continuing involvement in transferred assets

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

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

3.9.6.3 Continue to recognise the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognise any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

3.9.7 Offsetting financial assets and financial liabilities

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

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

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

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

3.9.8 Determination of fair value of financial instruments

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

3.10 Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a

liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

3.10.1 Valuation techniques

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

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

3.10.2 Fair value hierarchy

To Company establishes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to

Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

3.11 Inventories

3.11.1 Classification of inventories

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

3.11.2 Measurement method of cost of inventories sold or used

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

3.11.3 Inventory system

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

3.11.4 Provision for impairment of inventory

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

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

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

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

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

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

3.11.5 Amortisation method of low-value consumables

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

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

3.12 Contract Assets and Contract Liabilities

Effective on 1st January 2020

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

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

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

3.13 Contract Cost

Effective on 1st January 2020

Contract costs contain contract enforcement costs and contract acquisition costs.

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

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

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

3.13.3 The cost is expected to be recovered.

The incremental cost incurred by the Company in order to obtain the contract is expected to be recovered, and shall be recognized as an asset as the cost of obtaining the contract.

Assets related to contract costs are amortised on the same basis as the revenue recognition of goods or services related to the asset; however, if the amortisation period of contract acquisition costs does not exceed one year, the Company will include the contract costs in the current profits and losses at occurrence.

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

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

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

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

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

The contract acquisition cost recognized as an asset shall be reported in "other current assets" when the amortisation period does not exceed one year or one normal business cycle

at the time of initial recognition, and reported in the item of "other non current assets" when the amortisation period exceeds one year or one normal business cycle at the time of initial recognition.

3.14 Long-term Equity Investments

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

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

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

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

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

3.14.2 Determination of initial investment cost

3.14.2.1 Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control, if the Company

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

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

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

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

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

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

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is

recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognised as the initial investment cost.

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

3.14.2.3 Subsequent measurement and recognition of profit or loss

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

3.14.2.3.1 Cost method

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

3.14.2.3.2 Equity method

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

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

The Company recognises the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income, or profit distribution, shall be recognised in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee's net profits or

losses after making appropriate adjustments of investee's net profit based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

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

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

3.14.2.4 Methods of impairment and provision for impairment

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

3.15 Investment property

3.15.1 Classification of investment properties

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

3.15.1.1 Land use right leased out

3.15.1.2 Land held for transfer upon appreciation

3.15.1.3 Buildings leased out

3.15.2 The measurement model of investment property

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

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

3.16 Fixed Assets

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

3.16.1 Recognition criteria of fixed assets

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

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

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

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

3.16.2 Depreciation methods of fixed assets

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

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

Category	Depreciation method	Residual rates (%)	Estimated useful life (year)	Annual depreciation rates (%)
Electrical equipment, molde, and other	Straight-line method	0.00	5-6	16.67-20.00
Vehicles	Straight-line method	0.00	6	16.67
Improvement expenditure of leased fixed assets	Straight-line method	0.00	Amortisation shall be made according to the shorter of benefit period and lease period	

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

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

3.16.3 Recognition criteria, valuation and depreciation methods of fixed assets obtained through a finance lease

If the entire risk and rewards related to the leased assets have been substantially transferred, the Company shall recognise the lease as a finance lease. The cost of the fixed assets obtained through a finance lease is determined at the lower of the fair value of the leased assets and the present value of the minimum lease payment on the date of the lease. The fixed assets obtained by a finance lease are depreciated in the method which is consistent with the self-owned fixed assets of the Company. For fixed assets obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.17 Construction in Progress

3.17.1 Classification of construction in progress

Construction in progress is measured on an individual project basis.

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

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the

construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.18 Borrowing Costs

3.18.1 Recognition criteria and period for capitalization of borrowing costs

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

2.18.1.1 Expenditures for the asset are being incurred;

2.18.1.2 Borrowing costs are being incurred, and;

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

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

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

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

3.18.2 Capitalization rate and measurement of capitalized amounts of borrowing costs

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

Where funds allocated for purchase, construction or manufacturing of assets eligible for

capitalization are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowing.

3.19 Intangible Assets

3.19.1 Intangible assets

Intangible asset refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

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

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

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

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

3.19.2 Research and development costs

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

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

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

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

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

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

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

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

3.19.3 Impairment of intangible assets

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

3.20 Impairment of Long-Term Assets

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

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

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

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

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

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

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

3.21 Long-term Deferred Expenses

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

3.22 Employee Benefits

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

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

3.22.1 Short-term employee benefits**3.22.1.1 Employee basic salary (salary, bonus, allowance, subsidy)**

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

3.22.1.2 Employee welfare

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

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

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

3.22.1.4 Short-term paid absences

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

3.22.1.5 Short-term profit-sharing plan

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

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

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

3.22.2 Post-employment benefits

3.22.2.1 Defined contribution plans

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

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

3.22.2.2 Defined benefit plan

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

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

3.22.2.2.2 The net defined benefit liability or asset

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

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

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

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

Net interest on the net defined benefit liability or asset comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset

ceiling, shall be included in profit or loss.

3.22.2.2.4 The amount recognised in other comprehensive income

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

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

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

3.22.3 Termination benefits

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

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

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

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

3.22.4 Other long-term employee benefits

3.22.4.1 Meet the conditions of the defined contribution plan

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

3.22.4.2 Meet the conditions of the defined benefit plan

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

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

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

3.23 Estimated Liabilities

3.23.1 Recognition criteria of estimated liabilities

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

3.23.1.1 That obligation is a current obligation of the Company;

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

3.23.1.3 The amount of the obligation can be measured reliably.

3.23.2 Measurement method of estimated liabilities

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

3.24 Revenue recognition principle and measurement

Applicable from January 1, 2020

3.24.1 General principle

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

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

commodity and obtain almost all the economic benefits from it.

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

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

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

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

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

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

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

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

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

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

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

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

3.24.1.8 The customer has accepted the goods or services.

3.24.2 Specific methods

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

3.24.2.1 Commodity sales contract

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

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

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

risks and rewards of the ownership of the goods have been transferred, and the legal ownership of the goods has been transferred.

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

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

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

3.24.2.2 Service contract

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

3.24.2.3 Construction contract

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

3.25 Government Grants

3.25.1 Recognition of government grants

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

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

3.25.1.2 The grants will be received.

3.25.2 Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable.

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

3.25.3 Accounting for government grants

3.25.3.1 Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways.

The government subsidies related to assets offset the book value of related assets, and shall be recognised in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognised in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

3.25.3.2 Government grants related to income

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

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

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

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

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

3.25.3.3 Repayment of the government grants

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

3.26 Deferred Tax Assets and Deferred Tax Liabilities

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

3.26.1 Recognition of deferred tax assets

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

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

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

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

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be

utilized, the Company recognises a previously unrecognised deferred tax asset.

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

3.26.2 Recognition of deferred tax liabilities

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

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

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting profit nor tax loss.

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

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

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

3.26.3.1 Deferred tax liabilities or assets related to business combination

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

3.26.3.2 Items directly recognised in equity

Current tax and deferred tax related to items that are recognised directly in equity shall be recognised in equity. Such items include: other comprehensive income generated from fair value fluctuation of available for sale investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied

retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

3.26.3.3 Unused tax losses and unused tax credits

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

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

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

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

3.26.3.4 Temporary difference generated in consolidation elimination

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

3.26.3.5 Share-based payment settled by equity

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

3.27 Leases

The Company classifies the leases that substantially transfers all the risks and rewards incidental to ownership of an underlying asset as finance leases. Other leases shall be classified as operating leases.

3.27.1 Accounting for operating leases

3.27.1.1 When the Company is the lessee, the lease payments should be recognised into profit or loss of the reporting period over the lease terms on a straight-line basis or based on the amount of usage. If the lessor provides a rent-free period, the Company shall allocate total lease payment over the entire lease terms including the rent-free period using straight-line basis or other reasonable method. Lease expense and the corresponding liabilities shall be recognised during the rent-free period. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortised over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognised into current profit or loss. Contingent rental, if included in the lease contract, shall be recognised into profit or loss upon occurrence.

3.27.1.2 When the Company is the lessor, lease income should be recognised over the lease terms on a straight-line basis. If the lessor provides the rent-free period, the Company shall allocate total lease income over the entire lease terms including the rent-free period using straight-line basis or other reasonable method. Lease income shall be recognised during the rent-free period. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortised over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be

recognised into current profit or loss. If the amounts are material, they shall be capitalised and amortised over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognised into profit or loss upon occurrence.

3.27.2 Accounting for finance leases

3.27.2.1 When the Company is the lessee, at commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognise long-term payables at amounts equal to the minimum lease payments, and the differences shall be recognised as unrecognised finance charges, which shall be amortised over the lease terms as finance expenses by using effective interest rate method and recognised into finance cost.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its self-owned fixed assets. The depreciation period is determined based on the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets at the expiration of the lease, the depreciation period will be the useful life of the leased asset. If it is not certain that the Company will obtain the ownership of the asset at the expiration of the lease, the depreciation period is the shorter of the lease period and their useful lives.

3.27.2.2 When the Company is the lessor, at commencement of the lease, lease receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions and recognised as long-term receivable in the statement of financial position. Unguaranteed residual values are recorded simultaneously. The differences between the total of minimum lease receivable, initial direct cost and unguaranteed residual values and their present value shall be recognised as unearned finance income, and shall amortised over the lease terms as lease income at the effective interest rate method.

3.28 Significant account judgment and estimates

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

3.28.1 Classification of financial assets

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

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

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

3.28.2 Measurement of expected credit losses of accounts receivable

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

3.28.3 Impairment of inventories

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

3.28.4 The fair value of financial instruments

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

3.28.5 Impairment of non-current assets

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

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

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

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

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

3.28.6 Depreciation and amortization

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

3.28.7 Deferred tax assets

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

3.28.8 Income tax

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

3.28.9 Internal retirement benefits and supplementary retirement benefits

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

3.29 Changes in Significant Accounting Policies and Accounting Estimates

3.29.1 Significant changes in accounting polices

On 5 July 2017, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 14 - Revenue” (Caikuai [2017] No. 22) (which is referred as the “New Revenue Standards”). On 10 December 2019, the Ministry of Finance issued “Accounting Standards for Business Enterprises No. 13”, requiring the domestically listed companies to execute the new revenue standards starting from 1 January 2020. The Company implemented the abovementioned new revenue standards and interpretation of the standards on 1 January 2020, and adjusted relevant contents of accounting policies. Refer to Note 3.24 for details.

The new revenue standards require that the cumulative impact of the first implementation of the standards shall be adjusted for the amount of retained earnings and other related items in the financial statements at the beginning of the first implementation year (January 1, 2020), and the information of the comparable period shall not be adjusted. When implementing the new revenue standards, the Company only adjusts the cumulative impact of contracts that have not been completed on the first implementation date.

The cumulative effects of the above accounting policies are as follows:

Due to the implementation of the new revenue standards, the Company's consolidated financial statements correspondingly adjusted the contract liabilities of CNY 10,350,334.42 and advances from customers of CNY -10,350,334.42 on January 1, 2020. The financial statements of the parent company correspondingly adjusted the contract liabilities of CNY 1,152,074.28 and the advances from customers of CNY -1,152,074.28 on January 1, 2020.

The above accounting policy changes were approved by the Company's first board meeting of 2020 held on March 14, 2020.

3.29.2 Significant changes in accounting estimates

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

3.29.3 Adjustments of the financial statements at the beginning of the reporting period for the first-year adoption of new revenue standards.

Consolidated Financial Statements

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Current assets:			
Advances from customers	13,294,285.78	2,943,951.36	- 10,350,334.42
Contract liabilities	N/a.	10,350,334.42	10,350,334.42

Financial Statements of Parent Company

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Advances from customers	1,826,163.67	674,089.39	- 1,152,074.28
Contract liabilities	N/a.	1,152,074.28	1,152,074.28

Explanation of adjustment of each item:

Note 1: Contract liabilities, advances from customers

On January 1, 2020, the Company reclassified CNY 10,350,334.42 of advances from customers related to the sale of goods and the provision of labor services to contract liabilities.

4. Taxation**4.1 Major Categories of Tax and Tax Rates Applicable to the Company**

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

4.2 Tax rates of income tax of different subsidiaries are stated as below:**4.2.1 TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL)**

Categories of tax	Basis of tax assessment	Tax rate
Value added tax	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	0, 5, 6, 9, 13
Urban maintenance and construction tax	Payable turnover tax, tax exemption	5
Educational surcharge	Payable turnover tax, tax exemption	3

Categories of tax	Basis of tax assessment	Tax rate
Local education surcharge	Payable turnover tax, tax exemption	2
Enterprise income tax	Taxable profits	15

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

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

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

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

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

4.2.4 Pt. Star Comgistic Indonesia (hereafter, SCI)

Categories of tax	Basis of tax assessment	Tax rate
Value added tax	Calculates output tax based on the tax rate of taxable income, and calculates the value-added tax based on the difference after deducting the deductible input tax in the current period	10
Enterprise income tax	Taxable profits	25

4.3 Preferential tax policy

According to the principle of “The Notice Regarding to Fujian Province 2020 Second Group of High Technology Enterprise Review” (Mingkegao No. [2020]29), TKL was identified as Fujian Province High Technology Enterprise (Certification No. GR202035002032), valid from the year 2020 to 2022. The enterprise income tax of this period is calculated at 15%.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 December 2020	31 December 2019
Cash on hand	875,000.35	926,966.65
Cash in bank	671,926,206.33	638,696,235.33
Other monetary funds	34,993,391.52	
Total	707,794,598.20	639,623,201.98
Including: The total amount deposited overseas	11,312,975.48	32,960,640.75

Note: Among other monetary funds, CNY 12,243,391.52 is the letter of credit deposit and CNY 22,750,000.00 is the loan deposit. Other than the mentioned restricted funds, the Company does not have other funds with restrictions or potential recovery risks due to mortgage, pledge, or freezing in the currency funds at the end of the period.

5.2 Held-for-trading financial assets

Items	31 December 2020	31 December 2019
Financial assets measured at fair value through Profit or Loss	720,821,900.00	3,620,689.00
Including: Derivative financial assets	20,821,900.00	3,620,689.00
Structured Deposit Investment	700,000,000.00	
Total	720,821,900.00	3,620,689.00

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

5.3 Notes Receivables

5.3.1 Accounts receivable by aging

Items	31 December 2020			31 December 2019		
	Book Balance	Provision for bad debt	Carrying amount	Book Balance	Provision for bad debt	Carrying amount
Bank acceptance bills				274,548.00		274,548.00

Items	31 December 2020			31 December 2019		
	Book Balance	Provision for bad debt	Carrying amount	Book Balance	Provision for bad debt	Carrying amount
Commercial acceptance bills						
Total				274,548.00		274,548.00

5.3.2 Notes receivable pledged by the company at the end of the period

None.

5.3.3 Notes receivable endorsed or discounted by the Company but not yet due at the end of the period

None.

5.3.4 Notes transferred by the Company to receivables due to the failure of the drawer to perform at the end of the period

None.

5.3.5 Notes receivables written off in the current period

None.

5.4 Accounts Receivables

5.4.1 Accounts receivable by aging

Aging	31 December 2020	31 December 2019
Within one year	435,535,426.84	289,295,483.59
Including: Within 90 days	384,591,893.80	260,722,448.72
91 – 180 days	50,777,968.04	28,058,035.00
181 – 270 days	165,565.00	182,376.78
271 – 365 days		332,623.09
1-2 years		1,073,716.11
2-3 years		453,694.77
Over 3 years	5,000.00	4,647,605.17
Subtotal	435,540,426.84	295,470,499.64
Less: provision for bad debt	4,533,866.22	9,475,087.59
Total	431,006,560.62	285,995,412.05

5.4.2 Accounts receivable by bad debt provision method

Category	31 December 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognized collectively	435,540,426.84	100.00	4,533,866.22	1.04	431,006,560.62
Including: Portfolio by age	433,328,896.48	99.49	4,533,866.22	1.05	428,795,030.26
Portfolio by related parties	2,211,530.36	0.51			2,211,530.36
Total	435,540,426.84	100.00	4,533,866.22	1.04	431,006,560.62

(Continued)

Category	31 December 2019				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognized collectively	295,470,499.64	100.00	9,475,087.59	3.21	285,995,412.05
Including: Portfolio by age	293,206,700.42	99.23	9,475,087.59	3.23	283,731,612.83
Portfolio by related parties	2,263,799.22	0.77			2,263,799.22
Total	295,470,499.64	100.00	9,475,087.59	3.21	285,995,412.05

Specific instructions for provision for bad debts:

On 31 December 2020 and 31 December 2019, accounts receivables with bad debt provision are recognised by portfolio by age.

Aging	31 December 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Not overdue	392,745,091.77	1,963,725.46	0.50
Overdue 1 – 30 days	36,596,667.51	1,646,850.01	4.50
Overdue 31 – 60 days	3,638,927.08	727,785.43	20.00
Overdue 61 – 90 days	277,645.12	124,940.32	45.00
Overdue more than 90 days	70,565.00	70,565.00	100.00
Total	433,328,896.48	4,533,866.22	1.05

(Continued)

Aging	31 December 2019		
	Accounts receivable	Accounts receivable	Accounts receivable
Not overdue	255,331,295.08	1,276,656.48	0.50
Overdue 1 – 30 days	30,327,562.45	1,364,740.31	4.50
Overdue 31 – 60 days	841,208.62	168,241.72	20.00
Overdue 61 – 90 days	74,882.17	33,696.98	45.00
Overdue more than 90 days	6,631,752.10	6,631,752.10	100.00
Total	293,206,700.42	9,475,087.59	3.23

On 31 December 2020 and 31 December 2019, accounts receivables with bad debt provision are recognised by portfolio by related parties.

Accounts Receivables	31 December 2020			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason for provision
Portfolio by related parties	2,211,530.36			
Total	2,211,530.36			

(Continued)

Accounts Receivables	31 December 2019			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason for provision
Portfolio by related parties	2,263,799.22			
Total	2,263,799.22			

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

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

5.4.3 Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period				31 December 2020
		Provision	Recovery or reversal	Write-off	Other	
Provision for bad debt by group	9,475,087.59	524,524.49		5,364,881.02	100,864.84	4,533,866.22
Total	9,475,087.59	524,524.49		5,364,881.02	100,864.84	4,533,866.22

There is no significant bad debt provision recovered or reversed in the current period.

5.4.4 Accounts receivable write-off during the reporting period

Items	Amount
Accounts receivable write-off	5,364,881.02

The significant accounts receivable written-off:

Company Name	Nature of accounts receivable	Written off amount	Reasons for write-off	Write-off procedure	Result from related transaction
EasyBreadCompanyAG	Receivables from sales of goods	2,504,658.10	Expected to be uncollectible	Company internal approval	No
Philips (China) Investment Co., Ltd.	Receivables from sales of goods	1,816,206.54	Expected to be uncollectible	Company internal approval	No
American Bright	Receivables from sales of goods	308,382.36	Expected to be uncollectible	Company internal approval	No
Total		4,629,247.00			

5.4.5 Top five closing balances by entity

The total amount of the top five clients with largest accounts receivables balances at year end is CNY 334,987,860.20, accounting for 76.91% of the total amount of accounts receivable at the end of the year, and the total amount of bad debt provision at the end of the year is CNY 2,930,440.96.

5.5 Advances to Suppliers

5.5.1 Advances to suppliers by aging

Aging	31 December 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	2,622,554.07	100.00	3,083,417.46	99.07
Over one year			28,894.60	0.93
Total	2,622,554.07	100.00	3,112,312.06	100.00

5.5.2 Top five closing balances by entity

The total amount of the top five vendors with the largest prepaid amounts by the Company at the end of the year is CNY 971,215.16, accounting for 37.03% of the total amount of the prepayment at the end of the year.

5.6 Other Receivables**5.6.1 Other receivables by category**

Items	31 December 2020	31 December 2019
Interest receivable		
Dividend receivable		
Other receivables	31,938,548.59	29,271,999.53
Total	31,938,548.59	29,271,999.53

5.6.2 Interest receivable

None

5.6.3 Dividends receivable

None

5.6.4 Other Receivables**5.6.4.1 Other receivables by aging**

Aging	31 December 2020	31 December 2019
Within one year	30,566,672.96	27,838,457.65
Including: Within 90 days	30,331,697.53	27,247,664.61
91 – 180 days	86,800.00	316,067.72
181 – 270 days	87,375.43	84,201.57
271 – 365 days	60,800.00	190,523.75
1-2 years	62,600.00	2,106,002.95
2-3 years	364,556.15	
Over 3 years	1,134,501.09	1,243,148.47
Subtotal	32,128,330.20	31,187,609.07
Less: provision for bad debt	189,781.61	1,915,609.54
Total	31,938,548.59	29,271,999.53

5.6.4.2 Other receivables by nature

Nature	31 December 2020	31 December 2019
Export tax refund	25,064,584.54	17,500,000.00
Other open credits	5,625,222.17	12,060,268.46
Deposit	1,236,358.34	1,420,512.67
Due from related parties	202,165.15	206,827.94
Subtotal	32,128,330.20	31,187,609.07
Less: Provision for bad debt	189,781.61	1,915,609.54
Total	31,938,548.59	29,271,999.53

5.6.4.3 Other receivables by bad debt provision method

5.6.4.3.1 On 31 December 2020, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	32,128,330.20	189,781.61	31,938,548.59
Stage 2			
Stage 3			
Total	32,128,330.20	189,781.61	31,938,548.59

On 31 December 2020, provision for bad debt at stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually					
Provision for bad debt recognized by portfolio	32,128,330.20	0.59	189,781.61	31,938,548.59	
Export tax refund	25,064,584.54			25,064,584.54	Credit risk has not increased significantly
Other current account	5,625,222.17	3.37	189,781.61	5,435,440.56	Credit risk has not increased significantly
Deposit	1,236,358.34			1,236,358.34	Credit risk has not increased significantly
Due from related parties	202,165.15			202,165.15	Credit risk has not increased significantly
Total	32,128,330.20	0.59	189,781.61	31,938,548.59	

5.6.4.3.2 On 31 December 2019, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	29,949,460.60	677,461.07	29,271,999.53
Stage 2			
Stage 3	1,238,148.47	1,238,148.47	
Total	31,187,609.07	1,915,609.54	29,271,999.53

On 31 December 2019, provision for bad debt at stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually					
Provision for bad debt recognized by portfolio	29,949,460.60	2.26	677,461.07	29,271,999.53	
1. Export tax refund	17,500,000.00			17,500,000.00	Credit risk has not increased significantly
2. Other current account	10,822,119.99	6.26	677,461.07	10,144,658.92	Credit risk has not increased significantly
2. Deposit	1,420,512.67			1,420,512.67	Credit risk has not increased significantly
4. Due from related parties	206,827.94			206,827.94	Credit risk has not increased significantly
Total	29,949,460.60	2.26	677,461.07	29,271,999.53	

On 31 December 2019, provision for bad debt at stage 3:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually					
Provision for bad debt recognized by portfolio	1,238,148.47	100.00	1,238,148.47		
Other current account	1,238,148.47	100.00	1,238,148.47		Cannot be recovered
Total	1,238,148.47	100.00	1,238,148.47		

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

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

5.6.4.4 Changes of provision for bad debt during the reporting period

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for the next 12 months	Expected credit loss for the whole duration (no credit impairment)	Expected credit loss for the whole duration (Credit impairment has occurred)	
Closing balance as of 1/1/2020	677,461.07		1,238,148.47	1,915,609.54
Carrying amount of other receivables in current period on 1/1/2020	—	—	—	—
Turn to stage 2				
Turn to stage 3				
Turn back to stage 2				
Turn back to stage 1				
Recognition				
Reversal	482,679.46			482,679.46

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for the next 12 months	Expected credit loss for the whole duration (no credit impairment)	Expected credit loss for the whole duration (Credit impairment has occurred)	
Used				
Written off	5,000.00		1,238,148.47	1,243,148.47
Other movements				
Closing balance as of 31/12/2020	189,781.61			189,781.61

5.6.4.5 Other receivables write-off during the reporting period

Items	Amount
Other receivables write-off	1,243,148.47

Including: Other receivables with significant balance write-off during the reporting period

Entity name	Nature	Amount	Reason	Procedure	Due from related parties or not
Shanghai Tanghai Investment Co., Ltd	Open credits	1,238,148.47	Cannot be recovered	Yes	No
Total		1,238,148.47			

5.6.4.6 Top five closing balances by entity

Entity name	Nature	Balance at 31 December 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Zhangzhou Longchi Development Zone State Administration of Taxation	Export tax refund	25,064,584.54	1-90 days	78.01	
State Grid Fujian Longhai Power Supply Co., Ltd.	Open credits	2,560,234.58	1-90 days	7.97	
China Export & Credit Insurance Corporation Fujian Branch	Deposit	648,450.00	Over 3 years	2.02	

Entity name	Nature	Balance at 31 December 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
PT.PLN(PERSERO)	Deposit	486,051.09	Over 3 years	1.51	
Xiamen Laideshun Logistics Co., Ltd. Zhangzhou Branch	Open credits	251,156.84	1-90 days	0.78	
Total		29,010,477.05		90.30	

5.7 Inventories

5.7.1 Inventories by category

Items	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw materials	100,787,147.78	14,006,349.34	86,780,798.44	100,565,847.78	18,759,173.06	81,806,674.72
Work in process	21,018,640.91		21,018,640.91	3,545,082.48		3,545,082.48
Self-manufactured semi-finished goods	20,946,038.00	1,000,088.39	19,945,949.61	30,034,902.11	1,770,861.39	28,264,040.72
Finished goods	134,905,753.88	11,506,798.79	123,398,955.09	122,743,114.25	16,278,222.58	106,464,891.67
Low-value consumables	837,653.40		837,653.40	517,277.32		517,277.32
Materials in transit	3,070,079.91		3,070,079.91	1,557,620.47		1,557,620.47
Total	281,565,313.88	26,513,236.52	255,052,077.36	258,963,844.41	36,808,257.03	222,155,587.38

5.7.2 Provision for impairment

Item	31 December 2019	Increase in current year		Decrease in current year		31 December 2020
		Accrual	Impact of changes in exchange rates	Recovered or Written off	Other	
Raw material	18,759,173.06	1,961,096.57	-143,623.74	6,570,296.55		14,006,349.34
Work in progress						
Self-manufactured semi-finished goods	1,770,861.39	654,417.24		1,425,190.24		1,000,088.39

Item	31 December 2019	Increase in current year		Decrease in current year		31 December 2020
		Accrual	Impact of changes in exchange rates	Recovered or Written off	Other	
Finished goods	16,278,222.58	1,877,114.48	-45,002.36	6,603,535.91		11,506,798.79
Low-value consumables						
Materials in transit						
Total	36,808,257.03	4,492,628.29	-188,626.10	14,599,022.70		26,513,236.52

5.8 Other Current Assets

Items	31 December 2020	31 December 2019
Input tax to be deducted	7,818,199.72	8,473,290.63
Financial investment	710,815,837.88	492,665,278.14
Prepaid income tax		1,028.78
Total	718,634,037.60	501,139,597.55

Note: Financial investments are mainly bank financial products purchased by Company with idle funds.

5.9 Other equity instrument investment

5.9.1 General information of other equity instrument investment

Item	31 December 2020	31 December 2019
Non-trading equity instrument investment	40,000.00	40,000.00
Total	40,000.00	40,000.00

5.10 Investment Properties

5.10.1 Investment properties accounted for using cost model

Items	Building and plants	Land use rights	Total
Initial cost:			
Balance on 31 December 2019	65,957,471.88	29,260,577.51	95,218,049.39
Increase during the reporting period			
1. Acquisition			
2. Transfer from inventories /fixed assets /construction in progress			
3. Impact of changes in exchange rate			

Items	Building and plants	Land use rights	Total
Decrease during the reporting period	1,648,344.27		1,648,344.27
1. Disposal	1,648,344.27		1,648,344.27
2. Other transferred out			
3. Impact of changes in exchange rate			
Balance on 31 December 2020	64,309,127.61	29,260,577.51	93,569,705.12
Accumulated depreciation and amortisation:			
Balance on 31 December 2019	57,324,796.04	14,902,193.54	72,226,989.58
Increase during the reporting period	698,437.17	622,111.80	1,320,548.97
1. Accrual or amortization	698,437.17	622,111.80	1,320,548.97
2. Transfer from fixed assets			
3. Impact of changes in exchange rate			
Decrease during the reporting period	1,233,444.34		1,233,444.34
1. Disposal	1,233,444.34		1,233,444.34
2. Other transferred out			
3. Impact of changes in exchange rate			
Balance on 31 December 2020	56,789,788.87	15,524,305.34	72,314,094.21
Provision for impairment:			
Balance on 31 December 2019			
Increase during the reporting period			
1. Accrual or amortization			
2. Other			
3. Impact of changes in exchange rate			
Decrease during the reporting period			
1. Disposal			
2. Other			
3. Impact of changes in exchange rate			
Balance on 31 December 2020			
Carrying amount:			
Balance on 31 December 2020	7,519,338.74	13,736,272.17	21,255,610.91
Balance on 31 December 2019:	8,632,675.84	14,358,383.97	22,991,059.81

5.10.2 Investment properties without certificate of title

Item	Carrying amount	Reason
Lvyuan three country villa	645,985.38	

Note: Lvyuan three country villa is the houses with limited property rights purchased by the TsannKuen China (Shanghai) Enterprise Co., Ltd. which is the subsidiary of the Company from Shanghai Lvsheng Real State Development Co., Ltd. in 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 the certificate jointly to prove the right of this property belongs to TsannKuen China (Shanghai) Enterprise Co., Ltd. in January 2006.

5.11 Fixed Assets**5.11.1 Fixed assets by category**

Items	31 December 2020	31 December 2019
Fixed assets	164,338,962.07	185,749,835.56
Disposal of fixed assets		
Total	164,338,962.07	185,749,835.56

5.11.2 Fixed assets**5.11.2.1 General information of fixed assets**

Items	Houses and buildings	Machineries	Electronic devices, modules and others	Vehicles	Improvement expense of leased fixed assets	Total
Initial cost:						
Balance on 31 December 2019	97,837,748.95	160,818,262.47	864,635,171.31	20,359,069.36	63,153,374.74	1,206,803,626.83
Increase during the reporting period	2,056,276.73	4,472,599.49	26,110,238.93	178,816.34		32,817,931.49
(i) Acquisition		4,472,599.49	26,110,238.93	178,816.34		30,761,654.76
(ii) Transfer from construction in progress	2,056,276.73					2,056,276.73
(iii) Impact of changes in exchange rates						
Decrease during the reporting period	6,246,199.39	3,725,552.84	20,863,688.87	1,510,952.66	6,091,480.80	38,437,874.56
(i) Disposal	3,994,915.60	1,634,144.82	19,007,680.33	1,304,604.56	5,551,211.00	31,492,556.31
(ii) Other reduction						
(iii) Impact of changes in exchange rates	2,251,283.79	2,091,408.02	1,856,008.54	206,348.10	540,269.80	6,945,318.25
Balance on 31 December 2020	93,647,826.29	161,565,309.12	869,881,721.37	19,026,933.04	57,061,893.94	1,201,183,683.76
Accumulated depreciation:						
Balance on 31 December 2019	56,135,847.95	88,242,479.42	762,782,818.05	15,949,665.74	60,940,122.92	984,050,934.08
Increase during the reporting period	3,693,628.20	7,566,121.82	30,658,461.14	1,093,004.06	512,134.61	43,523,349.83
(i) Provision or amortisation	3,693,628.20	7,566,121.82	30,658,461.14	1,093,004.06	512,134.61	43,523,349.83
(ii) Transfer from fixed assets						
(iii) Impact of changes in exchange rates						

Items	Houses and buildings	Machineries	Electronic devices, modules and others	Vehicles	Improvement expense of leased fixed assets	Total
Decrease during the reporting period	4,343,469.31	2,810,211.68	17,185,736.08	1,284,362.71	6,020,801.46	31,644,581.24
(i) Disposal	3,498,071.05	1,501,950.18	15,818,742.90	1,171,165.71	5,551,211.00	27,541,140.84
(ii) Other reduction						
(iii) Impact of changes in exchange rates	845,398.26	1,308,261.50	1,366,993.18	113,197.00	469,590.46	4,103,440.40
Balance on 31 December 2020	55,486,006.84	92,998,389.56	776,255,543.11	15,758,307.09	55,431,456.07	995,929,702.67
Provision for impairment:						
Balance on 31 December 2019		19,788,593.71	17,000,323.15	175,668.04	38,272.29	37,002,857.19
Increase during the reporting period		635,624.09	4,107,393.00	2,804.75		4,745,821.84
(i) Provision or amortisation		635,624.09	4,110,311.05	2,804.75		4,748,739.89
(ii) Other						
(iii) Impact of changes in exchange rates			-2,918.05			-2,918.05
Decrease during the reporting period		273,278.24	387,586.79	172,090.53	704.45	833,660.01
(i) Disposal		66,383.22	282,011.95	142,462.35		490,857.52
(ii) Other reduction						
(iii) Impact of changes in exchange rates		206,895.02	105,574.84	29,628.18	704.45	342,802.49
Balance on 31 December 2020		20,150,939.56	20,720,129.36	6,382.26	37,567.84	40,915,019.02
Carrying amount:						
Balance on 31 December 2020	38,161,819.45	48,415,980.00	72,906,048.90	3,262,243.69	1,592,870.03	164,338,962.07
Balance on 31 December 2019:	41,701,901.00	52,787,189.34	84,852,030.11	4,233,735.58	2,174,979.53	185,749,835.56

5.11.2.2 Idle fixed assets

Item	Initial cost	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Machineries	44,200,168.73	27,234,225.08	16,965,690.13	253.52	
Electronic device, modules, and others	166,775,056.66	154,573,768.56	12,127,133.38	74,154.72	
Vehicles	72,795.03	71,680.01	1,115.02		
Improvement expense of fixed assets	999,659.75	972,277.87	27,381.88		
Total	212,047,680.17	182,851,951.52	29,121,320.41	74,408.24	

5.11.2.3 Fixed assets without certificate of title

Items	Carrying amount	Reason
Lvyuan three country villa	193,795.61	
Qingying garden	127,008.14	Legal procedures in process

Note: Lvyuan three country villa is the houses with limited property rights purchased by the TsannKuen China (Shanghai) Enterprise Co., Ltd. which is the subsidiary of the Company from Shanghai Lvsheng Real State Development Co., Ltd. in 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 the certificate jointly to prove the right of this property belongs to TsannKuen China (Shanghai) Enterprise Co., Ltd. in January 2006.

5.12 Construction in Progress

5.12.1 Construction in progress by category

Items	31 December 2020	31 December 2019
Construction in progress	728,529.68	2,921,901.51
Construction materials		
Total	728,529.68	2,921,901.51

5.12.2 Construction in progress

5.12.2.1 General information of construction in progress

Items	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Sporadic project	728,529.68		728,529.68	2,921,901.51		2,921,901.51
Total	728,529.68		728,529.68	2,921,901.51		2,921,901.51

5.12.3 Construction materials

None

5.13 Intangible Assets**5.13.1 General information of intangible assets**

Items	Land use rights	Software	Total
Initial cost:			
Balance on 31 December 2019	19,408,932.00	44,260,587.99	63,669,519.99
Increase during the reporting period	492,593.57	6,599,549.05	7,092,142.62
1. Acquisition		6,599,549.05	6,599,549.05
2. Transfer from inventories /fixed assets /construction in progress	318,738.86		318,738.86
3. Impact of changes in exchange rate	173,854.71		173,854.71
Decrease during the reporting period	1,619,168.96	782,187.31	2,401,356.27
1. Disposal		772,766.03	772,766.03
2. Other transferred out			
3. Impact of changes in exchange rate	1,619,168.96	9,421.28	1,628,590.24
Balance on 31 December 2020	18,282,356.61	50,077,949.73	68,360,306.34
Accumulated depreciation and amortisation:			
Balance on 31 December 2019	4,370,243.37	28,565,996.38	32,936,239.75
Increase during the reporting period	621,106.16	6,572,741.80	7,193,847.96
1. Accrual or amortization	621,106.16	6,565,935.99	7,187,042.15
2. Transfer from fixed assets			
3. Impact of changes in exchange rate		6,805.81	6,805.81
Decrease during the reporting period	326,918.22	789,175.97	1,116,094.19
1. Disposal		789,175.97	789,175.97
2. Other transferred out			
3. Impact of changes in exchange rate	326,918.22		326,918.22
Balance on 31 December 2020	4,664,431.31	34,349,562.21	39,013,993.52
Provision for impairment:			
Balance on 31 December 2019			
Increase during the reporting period			
1. Accrual or amortization			
2. Other			

Items	Land use rights	Software	Total
3. Impact of changes in exchange rate			
Decrease during the reporting period			
1. Disposal			
2. Other			
3. Impact of changes in exchange rate			
Balance on 31 December 2020			
Carrying amount:			
Balance on 31 December 2020	13,617,925.30	15,728,387.52	29,346,312.82
Balance on 31 December 2019:	15,038,688.63	15,694,591.61	30,733,280.24

5.14 Long-term Deferred Expenses

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period		31 December 2020
			Amortisation	Other decrease	
Houses and buildings renovation expenses	7,063,252.81	2,333,120.95	2,712,983.34		6,683,390.42
Wall projects of 3 phases	162,662.99		62,966.40		99,696.59
Telecommunications project expenses		51,504.42	2,861.36		48,643.06
Total	7,225,915.80	2,384,625.37	2,778,811.10		6,831,730.07

5.15 Deferred Tax Assets and Deferred Tax Liabilities

5.15.1 Deferred tax assets before offsetting

Items	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	59,565,618.38	9,996,562.15	59,473,136.87	9,463,194.19
Provision for credit impairment	3,144,069.54	478,564.04	9,094,485.90	1,512,918.53
Unrealized intragroup profit	284,635.52	71,158.88	569,182.52	142,295.63

Items	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Accrued expenses	12,221,158.78	2,001,465.13	11,382,495.34	1,882,789.81
Payroll liability	272,562.30	54,512.47	416,881.95	83,376.40
Undistributed deficit	11,952,239.29	2,988,059.82	29,628,345.15	7,407,086.29
Financial liabilities held for trading			638,800.00	95,820.00
Total	87,440,283.81	15,590,322.49	111,203,327.73	20,587,480.85

5.15.2 Deferred tax liabilities before offsetting

Items	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Policy relocation	193,170,474.36	48,292,618.59	193,170,474.36	48,292,618.59
Financial assets held for trading	20,821,900.00	3,123,285.00	3,620,689.00	543,103.35
Others	48,239.76	9,647.98		
Total	214,040,614.12	51,425,551.57	196,791,163.36	48,835,721.94

5.15.3 Unrecognized deferred tax assets

Items	31 December 2020	31 December 2019
Provision for asset impairment	7,862,637.16	14,337,977.35
Provision for credit impairment	1,579,578.29	2,296,211.23
Accrued expenses	15,032,275.03	14,687,122.47
Payroll liability	9,600,380.92	9,201,884.77
Undistributed deficit	125,592,039.85	139,107,798.31
Total	159,666,911.25	179,630,994.13

Note: The list above is not recognized as deductible temporary differences and recoverable losses due to the uncertainty of whether sufficient taxable income will be obtained in the future.

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

Items	31 December 2020	31 December 2019	Note
Year 2020		10,341,578.00	
Year 2021	59,954,740.54	42,160,374.19	
Year 2022	4,828,378.89	4,828,378.89	
Year 2023	16,003,668.47	15,495,274.18	
Year 2024	14,837,857.89	14,837,857.89	
Year 2025 to 2030	29,967,394.06	51,444,335.16	
Total	125,592,039.85	139,107,798.31	

Note: The annual loss of Tsannkuen Edge Intelligence Co., Ltd. continues to make up for a maximum period of 10 years.

5.16 Other Non-current Assets

Items	31 December 2020	31 December 2019
Prepaid mold fee	46,275.64	148,718.90
Prepaid equipment fee	1,998,426.66	857,295.76
Total	2,044,702.30	1,006,014.66

5.17 Short-term Borrowings

5.17.1 Disclosure of short-term borrowings by category

Item	31 December 2020	31 December 2019
Pledged loan	16,345,141.13	
Total	16,345,141.13	

5.18 Held-for-Trading Financial Liabilities

Item	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Held-for-trading financial liabilities	638,800.00		638,800.00	
Including: Derivative financial liabilities	638,800.00		638,800.00	
Total	638,800.00		638,800.00	

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

5.19 Notes Payable

Items	31 December 2020	31 December 2019
Bank acceptance bills	7,521,531.97	4,110,230.08
Commercial acceptance bills		12,319,017.22
Total	7,521,531.97	16,429,247.30

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

5.20 Accounts Payable**5.20.1 Accounts payable by nature**

Items	31 December 2020	31 December 2019
Within 1 year	871,081,181.47	590,887,361.06
Over 1 year	3,881,706.46	4,091,233.39
Total	874,962,887.93	594,978,594.45

5.20.2 Significant accounts payable with aging of over one year

Items	31 December 2020	Reason
Ningbo Chaochao Electrical Equipment Co., Ltd.	500,237.01	Quality disputes
Total	500,237.01	

5.21 Advances from Customers**5.21.1 Details of advances from customers**

Items	31 December 2020	31 December 2019
Within 1 year	3,404,910.00	7,925,968.34
Over 1 year	3,448,190.03	5,368,317.44
Total	6,853,100.03	13,294,285.78

5.22 Contract Liabilities**5.22.1 Details of contract liabilities**

Items	31 December 2020	31 December 2019
Advance from merchandise	25,605,755.71	
Total	25,605,755.71	

5.23 Employee Benefits Payable**5.23.1 Details of employee benefits payable**

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	Impact of changes in exchange rate	31 December 2020
Short-term employee benefits	44,690,289.82	271,030,612.03	264,460,558.80	-145,924.09	51,114,418.96

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	Impact of changes in exchange rate	31 December 2020
Post-employment benefits-defined contribution plans	732,580.74	7,510,038.74	8,050,805.09	-43,967.68	147,846.71
Termination benefits	1,011,126.00	7,654,246.59	8,665,372.59		
Other benefits due within one year					
Total	46,433,996.56	286,194,897.36	281,176,736.48	-189,891.77	51,262,265.67

5.23.2 Short-term employee benefits

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	Impact of changes in exchange rate	31 December 2020
Salaries, bonuses, allowances and subsidies	32,203,389.25	240,714,340.56	234,048,537.16	-100,044.30	38,769,148.35
Employee benefits		15,240,912.88	15,238,820.08	-2,092.80	
Social insurance	1,133,495.04	7,976,611.38	8,514,654.93	-41,480.30	553,971.19
Including: Health insurance	844,888.44	5,899,465.73	6,196,024.59	-24,595.51	523,734.07
Injury insurance	261,846.25	1,665,389.53	1,910,350.99	-16,884.79	
Birth insurance	26,760.35	411,756.12	408,279.35		30,237.12
Housing accumulation fund	9,207,793.77	5,513,733.64	5,116,921.49		9,604,605.92
Labour union funds and employee education funds		1,304,400.41	1,304,400.41		
Short-term absence pay	2,145,611.76	255,386.16	211,997.73	-2,306.69	2,186,693.50
Short-term profit-sharing plan					
Other short-term employee benefits		25,227.00	25,227.00		
Total	44,690,289.82	271,030,612.03	264,460,558.80	-145,924.09	51,114,418.96

5.23.3 Defined contribution plans

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	Impact of changes in exchange rate	31 December 2020
Basic endowment insurance	732,157.74	7,335,309.15	7,875,664.00	-43,967.68	147,835.21

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	Impact of changes in exchange rate	31 December 2020
Unemployment insurance	423.00	174,729.59	175,141.09		11.50
Enterprise annuity					
Total	732,580.74	7,510,038.74	8,050,805.09	-43,967.68	147,846.71

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

5.24 Taxes Payable

Items	31 December 2020	31 December 2019
Value added tax (VAT)	180,939.30	348,837.48
Enterprise income tax	16,319,231.37	16,326,545.55
Individual income tax	797,007.65	927,844.25
City construction tax	729,009.73	731,213.68
Educational surcharge	729,009.84	745,436.58
Other	1,483,049.28	580,796.30
Total	20,238,247.17	19,660,673.84

5.25 Other Payables

5.25.1 Other payables by category

Items	31 December 2020	31 December 2019
Interest payable		
Dividend payable		
Other payable	52,803,158.48	48,482,744.38
Total	52,803,158.48	48,482,744.38

5.25.2 Other payables

5.25.2.1 Other payables by nature

Items	31 December 2020	31 December 2019
Within 1 year	39,088,143.93	38,467,673.13
Over 1 year	13,715,014.55	10,015,071.25
Total	52,803,158.48	48,482,744.38

5.25.2.2 Significant other payables with aging over one year

Items	31 December 2020	Reason
Deposit	9,483,375.00	Return upon termination of contract
Total	9,483,375.00	

5.26 Long-term Employee Benefits Payable

5.26.1 General information of long-term employee benefits payable

Items	31 December 2020	31 December 2019
Post-employment benefits-net liability under defined benefit plans	312,775.91	425,896.17
Total	312,775.91	425,896.17

5.26.2 Changes in defined benefit plans

Present value of the defined benefit obligation:

Items	2020	2019
Balance at the beginning of the reporting period	425,896.17	361,923.23
Cost recognised in current profit or loss	19,118.67	80,874.55
Cost recognised in other comprehensive income	-93,635.32	-13,990.74
Other changes:	-38,603.61	-2,910.87
(i) Consideration paid in settlements		
(ii) Payment of benefits	-12,498.64	-18,199.35
(iii) Others	-26,104.97	15,288.48
Balance at the end of the reporting period	312,775.91	425,896.17

5.27 Share Capital

Item	31 December 2019	Changes during the reporting period (+,-)					31 December 2020
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Number of total shares	185,391,680.00						185,391,680.00

5.28 Capital Reserves

Item	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Capital premium (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

5.29 Other Comprehensive Income

Item	31 December 2019	Current year					After tax attributable to the parent company	After tax attributable to minority shareholders	31 December 2020
		Amount for the year before tax	Less: previously recognised in other comprehensive income transferred into profit or loss	Less: previously recognised in other comprehensive income transferred into retained earnings	Less: Income tax expense				
1. Other comprehensive income will not be reclassified to profit or loss	-38,643.22	117,044.24			23,408.85	70,226.49	23,408.90	31,583.27	
Including: Changes of remeasurement of the defined benefit plan	-38,643.22	117,044.24			23,408.85	70,226.49	23,408.90	31,583.27	
Other comprehensive income will not be reclassified into profit or loss under equity method									
Changes in fair value of other equity instrument investment									
Changes in fair value related to own credit risk									
2. Items will be reclassified to profit or loss	7,553,393.23	-7,682,551.29				-5,761,913.47	-1,920,637.82	1,791,479.76	

Item	31 December 2019	Current year						31 December 2020
		Amount for the year before tax	Less: previously recognised in other comprehensive income transferred into profit or loss	Less: previously recognised in other comprehensive income transferred into retained earnings	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	
Including: Other comprehensive income will be reclassified into profit or loss under equity method								
Changes in fair value of other debt investment								
Reclassification of financial assets to other comprehensive income								
Provision of credit impairment of other debt investment								
Cash flow hedge reserve (The effective portion of the gains /(losses) on cash flow hedge)								
Exchange differences on translating foreign operations	7,553,393.23	-7,682,551.29				-5,761,913.47	-1,920,637.82	1,791,479.76
Total	7,514,750.01	-7,565,507.05			23,408.85	-5,691,686.98	-1,897,228.92	1,823,063.03

5.30 Surplus Reserves

Item	31 December 2019	Changes of accounting policy	1 January 2020	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Statutory surplus reserves	40,499,488.55		40,499,488.55	8,588,174.13		49,087,662.68
Total	40,499,488.55		40,499,488.55	8,588,174.13		49,087,662.68

Note: Pursuant to the Company Law of the People's Republic of China and Articles of Association, the Company appropriates 10% of net profit to the statutory surplus reserves. If the accumulated amount of the statutory surplus reserve reaches more than 50% of the registered capital of the Company, it shall not be withdrawn.

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

5.31 Retained Earnings

Items	2020	2019
Balance at the end of last period before adjustments	218,523,906.99	122,872,551.30
Adjustments for the opening balance (increase /(decrease))		494,653.29
Balance at the beginning of the reporting period after adjustments	218,523,906.99	123,367,204.59
Add: net profit attributable to owners of the parent company for the reporting period	139,522,190.75	105,233,212.02
Less: appropriation to statutory surplus reserves	8,588,174.13	2,660,842.42
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends	18,539,168.00	7,415,667.20
Common stock dividends converted to share capital		
Balance at the end of the reporting period	330,918,755.61	218,523,906.99

5.32 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	2,066,576,833.78	1,722,830,969.80	1,919,745,046.46	1,631,156,891.41
Other activities	77,604,904.55	33,919,348.10	82,194,795.48	34,644,195.77
Total	2,144,181,738.33	1,756,750,317.90	2,001,939,841.94	1,665,801,087.18

5.32.1 Revenue from principal activities (by industry or business)

Industry (business)	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Household appliances industry	2,066,576,833.78	1,722,830,969.80	1,919,745,046.46	1,631,156,891.41
Total	2,066,576,833.78	1,722,830,969.80	1,919,745,046.46	1,631,156,891.41

5.32.2 Revenue from principal activities (by product)

Industry (business)	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Catering and Cooking	1,470,116,469.53	1,234,617,024.23	1,271,637,191.29	1,091,065,894.00
Home helper	397,954,437.24	335,387,964.40	388,186,251.50	336,632,218.03
Tea/Coffee makers	184,473,267.41	147,236,293.39	244,844,541.59	194,823,071.49
Others	14,032,659.60	5,589,687.78	15,077,062.08	8,635,707.89
Total	2,066,576,833.78	1,722,830,969.80	1,919,745,046.46	1,631,156,891.41

5.32.3 Revenue from principal activities (by region)

Region	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Australia	75,243,660.83	59,851,012.52	83,031,966.00	66,388,350.68
Africa	14,907,902.56	11,863,723.39	19,351,407.62	14,900,668.94
America	1,118,127,377.12	934,093,466.91	906,460,709.85	766,978,154.00
Europe	440,214,124.77	360,354,097.45	492,289,796.35	417,808,120.75
Asia	418,083,768.50	356,668,669.53	418,611,166.64	365,081,597.04
Total	2,066,576,833.78	1,722,830,969.80	1,919,745,046.46	1,631,156,891.41

5.33 Taxes and Surcharges

Items	2020	2019
City construction tax	4,064,818.02	4,344,437.75
Educational surcharge	3,985,963.82	4,276,791.97
Property tax	2,495,452.34	1,484,363.10
Land use tax	387,977.28	393,321.00
Stamp duty	1,008,286.88	985,573.31
Other	111,303.62	8,949.67
Total	12,053,801.96	11,493,436.80

5.34 Selling and Distribution Expenses

Items	2020	2019
Export expenses	31,418,797.93	29,409,292.34
Employee remunerations	12,441,053.90	16,960,247.48
Claims experiment expenses	5,341,375.17	6,666,539.88
Sales commission and after sales service fees	4,037,792.85	3,612,254.90
Advertisements charges and sales promotion	1,107,178.53	2,345,198.27
Travel expenses	337,561.92	2,193,296.51
Rental expenses	285,625.05	412,767.45
Others	573,443.30	1,306,722.79
Transportation expenses	161,424.41	281,331.30
Administrative expenses	153,540.35	202,296.32
Total	55,857,793.41	63,389,947.24

5.35 General and Administrative Expenses

Items	2020	2019
Employee remunerations	38,653,129.40	37,160,444.19
Rental expenses	11,788,219.02	10,488,506.08
Depreciation and amortization of assets	7,147,885.76	8,094,423.95
Others	7,861,270.56	7,966,318.16
Maintenance expenses	4,997,217.26	6,801,817.68
Insurance expenses	4,626,617.16	2,409,628.91
Travel expenses	3,049,227.60	4,188,371.76
Consultant fees	2,937,651.61	4,072,610.10
Administrative expenses	1,320,127.10	1,826,261.75
Total	82,381,345.47	83,008,382.58

5.36 Research and Development Expenses

Items	2020	2019
Employee remunerations	37,874,280.16	43,111,232.54
Depreciation and amortization of assets	7,645,493.09	6,896,148.91
Test expenses	5,586,121.57	7,452,505.41

Items	2020	2019
Patent expenses	2,683,493.35	2,757,390.62
Certification expenses	2,003,763.18	2,958,178.50
Rental expenses	1,646,108.80	2,685,197.90
Others	2,331,614.33	2,646,238.22
Consultant fees	1,255,335.01	747,912.93
Maintenance expenses	583,808.94	879,622.91
Travel expenses	334,763.99	1,764,315.41
Total	61,944,782.42	71,898,743.35

5.37 Finance Expenses

Items	2020	2019
Interest expenses	433,614.88	941,366.70
Less: Interest income	14,782,907.49	5,218,650.55
Foreign exchange losses	40,643,356.53	-4,017,602.90
Bank charges	1,218,677.91	1,134,525.96
Total	27,512,741.83	-7,160,360.79

5.38 Other Income

Items	2020	2019	Related to assets /income
1. Government grant recognised in other income	6,241,497.95	4,979,380.03	Related to income
Including: Government grant related to deferred income			
Government grant related to deferred income			
Government grant directly recognised in current profit or loss	6,241,497.95	4,979,380.03	Related to income
2. Others related to daily operation activities and recognised in other income			
Including: Charges of withholding individual income tax			
Additional deduction of input tax			
Income from debt restructuring			
Total	6,241,497.95	4,979,380.03	

Details of government grant recognised in other income:

Items	2020	2019	Related to assets /income
Enterprise R&D investment subsidies	1,552,140.00	1,024,800.00	Related to income
Export credit insurance subsidy	1,449,323.00	2,065,671.50	Related to income
Foreign trade export incentives	1,500,000.00		Related to income
Technology innovation subsidies	617,000.00	400,000.00	Related to income
Increasing production and efficiency reward	564,414.00	447,500.00	Related to income
Patent subsidies	324,500.00	339,000.00	Related to income
Employment stabilization subsidies	214,120.95	684,008.53	Related to income
Exhibition subsidies	20,000.00		Related to income
Special subsidies for online technology trading projects		18,400.00	Related to income
Total	6,241,497.95	4,979,380.03	

5.39 Investment Income

Items	2020	2019
Investment income from financial assets at fair value through profit or loss during holding period	24,078,989.00	-3,709,080.00
Investment income from financial products	19,292,756.54	21,778,521.54
Total	43,371,745.54	18,069,441.54

5.40 Gains on Changes in Fair Values

Sources of gains on changes in fair value	2020	2019
Held-for-trading financial assets	17,840,011.00	2,179,989.00
Including: changes in fair value of derivatives	17,840,011.00	2,179,989.00
Held-for-trading financial liabilities		-638,800.00
Total	17,840,011.00	1,541,189.00

5.41 Impairment Loss of Credit

Items	2020	2019
Bad debt of accounts receivables	-524,524.49	-1,070,365.41
Bad debt of other receivables	482,679.46	-116,373.04
Total	-41,845.03	-1,186,738.45

5.42 Impairment Loss of Assets

Items	2020	2019
Impairment of inventories	-4,492,628.29	-12,371,033.33
Impairment of fixed assets	-4,748,739.89	-1,286,008.24
Total	-9,241,368.18	-13,657,041.57

5.43 Gains from Disposal of Assets

Items	2020	2019
Gains from Disposal of Assets	195,318.03	63,688,086.21
Total	195,318.03	63,688,086.21

5.44 Non-operating Income**5.44.1 Details of non-operating income**

Items	2020	2019	Recognized in current extraordinary gains and losses
Government grants irrelevant to daily operation activities (see the following table for details: Government grants irrelevant to daily operation activities for details)		21,162,176.00	
Other	5,986,192.66	6,138,240.65	5,986,192.66
Total	5,986,192.66	27,300,416.65	5,986,192.66

5.44.2 Government grants irrelevant to daily operation activities

Items	2020	2019	Related to assets /income
Government relocation compensation		21,162,176.00	Related to income
Total		21,162,176.00	

5.45 Non-operating Expenses

Items	2020	2019	Recognized in current extraordinary gains and losses
Loss from damage or scrapping of non-current assets	919,177.43	673,056.59	919,177.43
Including: loss from scrapping of non-current assets	919,177.43	673,056.59	919,177.43

Items	2020	2019	Recognized in current extraordinary gains and losses
Donations	65,422.42	157,185.88	65,422.42
Others	332,630.85		332,630.85
Fines		4,162.93	
Total	1,317,230.70	834,405.40	1,317,230.70

5.46 Income Tax Expenses

5.46.1 Details of income tax expenses

Items	2020	2019
Current tax expenses	17,157,864.07	22,206,953.28
Deferred tax expenses	7,586,987.99	27,146,971.52
Total	24,744,852.06	49,353,924.80

5.46.2 Reconciliation of accounting profit and income tax expenses

Items	2020	2019
Profit before tax	210,715,276.61	213,408,933.59
Income tax expense at the statutory /applicable tax rate	52,678,819.15	53,352,233.40
Effect of different tax rate of subsidiaries	-21,483,131.51	-11,778,337.22
Adjustments of impact from prior period income tax	-1,306,289.59	114,978.76
Effect of income that is exempt from taxation	-134,668.40	-111,634.56
Effect of non-deductible costs, expenses or losses	2,179,942.24	842,659.70
Effect of previously unrecognized deductible losses recognised as deferred tax assets	-1,603,091.09	
Effect of deductible temporary differences and deductible losses not recognised as deferred tax assets	118,846.55	11,311,012.68
R&D expenses plus deduction	-5,705,575.29	-4,376,987.96
Income tax expenses	24,744,852.06	49,353,924.80

5.47 Other Comprehensive Income

For details of the other comprehensive income and related tax effect, transfer to profit or loss and adjustment of other comprehensive income, refer to Note 5.29 Other Comprehensive Income

5.48 Notes to the Statement of Cash Flow**5.48.1 Other cash received relating to operating activities**

Items	2020	2019
Government grants	6,241,497.95	26,961,556.03
Interests income	14,782,907.49	5,218,650.55
Rent income	49,433,171.12	50,324,606.89
Funds in current account and others	8,570,658.74	6,694,142.96
Total	79,028,235.30	89,198,956.43

5.48.2 Other cash payments relating to operating activities

Items	2020	2019
Penalties and donations	65,422.42	161,348.81
Bank charges	1,218,677.91	1,134,525.96
Sales expenses, general and administrative expenses, and research and development expenses paid by cash	94,807,395.57	97,204,731.46
Current accounts and others	12,686,528.50	2,681,430.50
Total	108,778,024.40	101,182,036.73

5.48.3 Other cash received relating to investing activities

Items	2020	2019
Time deposits recovered after maturity for the purpose to earn interest income in financial institutions	266,214,151.16	228,047,963.79
Total	266,214,151.16	228,047,963.79

5.48.4 Other cash payments relating to investing activities

Items	2020	2019
Time deposits in financial institutions for the purpose of earning interest income	266,214,151.16	228,047,963.79
Total	266,214,151.16	228,047,963.79

5.48.5 Other cash received relating to financing activities

Items	2020	2019
Capital absorbed and loan between related parties		
Security deposit of pledged loan		21,200,000.00
Total		21,200,000.00

5.48.6 Other cash payments relating to financing activities

Items	2020	2019
Security deposit of pledged loan	22,750,000.00	—
Deposit for letter of credit	12,243,391.52	
Total	34,993,391.52	

5.49 Supplementary Information to the Statement of Cash Flows**5.49.1 Supplementary information to the statement of cash flows**

Supplementary information	2020	2019
1. Adjustments of net profit to cash flows from operating activities:		
Net profit	185,970,424.55	164,055,008.79
Add: Provisions for impairment of assets	9,241,368.18	13,657,041.57
Impairment loss of credit	41,845.03	1,186,738.45
Depreciation of fixed assets, investment properties, oil and gas asset and productive biological assets	44,843,898.80	44,172,129.60
Amortisation of intangible assets	7,187,042.15	6,033,431.63
Amortisation of long-term deferred expenses	2,778,811.10	2,548,054.42
Gains on disposal of fixed assets, intangible assets, and other long-term assets	-195,318.03	-63,688,086.21
Loss on scrapping of fixed assets	919,177.43	673,056.59
Gains on changes in fair value	-17,840,011.00	-1,541,189.00
Finance income	-2,443,195.54	4,849,161.64
Investment income	-43,371,745.54	-18,069,441.54
Decreases in deferred tax assets	4,997,158.36	5,816,473.68
Increases in deferred tax liabilities	2,589,829.63	21,330,497.84
Increases in inventories	-38,424,205.42	8,689,169.57
Increases in operating receivables	-146,298,730.41	-3,558,046.68
Increases in operating payables	305,274,733.95	-42,533,712.37
Others		
Net cash flows from operating activities	315,271,083.24	143,620,287.98
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		

Supplementary information	2020	2019
Fixed assets acquired under finance leases		
3. Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	672,801,206.68	639,623,201.98
Less: Cash at the beginning of the reporting period	639,623,201.98	448,492,295.47
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	33,178,004.70	191,130,906.51

5.50.2 The components of cash and cash equivalents

Items	31 December 2020	31 December 2019
1. Cash	672,801,206.68	639,623,201.98
Including: Cash on hand	875,000.35	926,966.65
Cash in bank available for immediate use	671,926,206.33	638,696,235.33
Other monetary funds available for immediate use		
Deposit in the central banks available for immediate use		
Deposit in peer firms		
Loan to peer firms		
2. Cash equivalents		
Including: Bond investments maturing within three months		
3. Cash and cash equivalents at the end of the reporting period	672,801,206.68	639,623,201.98
Including: Restricted cash and cash equivalents of the parent company and the subsidiaries of the group		

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

Note 2: On 31 December 2020, the amount of cash and cash equivalents in the statement of cash flows was CNY 672,801,206.68, and the balance of monetary funds of balance sheet was CNY 707,794,598.20. The difference of CNY 34,993,391.52 was caused by deducting the security deposit of pledge loan of CNY 22,750,000.00 and the deposit for letter of credit of CNY 12,243,391.52 from the cash and cash equivalents in the statement of cash flows.

5.51 Restricted Assets

Item	Carrying amount on 31 December 2020	Reason
Other monetary funds	34,993,391.52	Security deposits
Total	34,993,391.52	

Note: All restricted assets are the other monetary funds, of which CNY 12,243,391.52 is the deposit for letter of credit and CNY 22,750,000.00 is the security deposit of pledge loan.

Other than the mentioned restricted funds, the Company does not have other funds with restrictions or potential recovery risks due to mortgage, pledge, or freezing in the currency funds at the end of the period.

5.52 Foreign Currency Monetary Items**5.52.1 Details for foreign currency monetary items:**

Items	Carrying amount in foreign currency on 31 December 2020	Exchange rate	Carrying amount in CNY on 31 December 2020
Cash and cash equivalents			
Including: HKD	35,867.41	0.841640	30,187.45
USD	27,123,103.18	6.524900	176,975,535.94
JPY	31,549,211.53	0.063236	1,995,045.94
EUR	51,708.05	8.025000	414,957.10
GBP	9,519.64	8.890300	84,632.46
IDF	944,680,509.61	0.000457	431,718.99
HUF	81,015.89	0.022012	1,783.32
NTD	18,380,526.99	0.228972	4,208,626.03
Total			184,142,487.23
Accounts receivables			
Including: USD	70,710,850.43	6.524900	461,381,227.97
JPY	20,574,460.00	0.063236	1,301,046.55
IDR	435,150,320.00	0.000457	198,863.70
Total			462,881,138.22
Accounts payables			
Including: USD	14,885,260.92	6.524900	97,124,838.98
EUR	78,533.03	8.025000	630,227.57
HKD	392,959.70	0.841640	330,730.60

Items	Carrying amount in foreign currency on 31 December 2020	Exchange rate	Carrying amount in CNY on 31 December 2020
JPY	37,860,308.00	0.063236	2,394,134.44
IDR	351,749,544.70	0.000457	160,749.54
NTD	6,592,908.04	0.228972	1,509,591.34
Total			102,150,272.47
Other receivables			
Including: USD	9,890.12	6.524900	64,532.04
NTD	1,117,363.00	0.228972	255,844.84
IDR	1,076,175,401.00	0.000457	491,812.16
Total			812,189.04
Other payables			
Including: USD	377,907.46	6.524900	2,465,808.39
HKD	28,475.66	0.841640	23,966.25
JPY	218,034.00	0.063236	13,787.60
NTD	296,167.00	0.228972	67,813.95
IDR	2,046,440,642.43	0.000457	935,223.37
Total			3,506,599.56
Short-term borrowings			
Including: USD	2,505,040.86	6.524900	16,345,141.13
Total			16,345,141.13

5.53 Government Grants

5.53.1 Government grants related to assets

Item	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2020	2019	
Equipment investment subsidies		Fixed assets	74,563.64	118,058.78	Cost of sales

5.53.2 Government grants related to income

Items	Amounts	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2020	2019	
R&D expenses subsidies	1,552,140.00	Other income	1,552,140.00	1,024,800.00	Other income
Export credit insurance subsidies	1,449,323.00	Other income	1,449,323.00	2,065,671.50	Other income
Incentives for promoting foreign trade growth in 2019	1,000,000.00	Other income	1,000,000.00		Other income
Export incentives during the period of coronavirus from January to April 2020	500,000.00	Other income	500,000.00		Other income
Reward for export increase in 2019	564,414.00	Other income	564,414.00		Other income
High level R&D and innovation awards in 2020	300,000.00	Other income	300,000.00		Other income
Patent subsidy by the Zhangzhou Taiwan Investment Zone	274,500.00	Other income	274,500.00		Other income
Employment stabilization subsidies	204,884.24	Other income	204,884.24	72,081.85	Other income
Science and technology insurance subsidies	200,000.00	Other income	200,000.00		Other income

Items	Amounts	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2020	2019	
Provincial intellectual property advantage enterprise Award	100,000.00	Other income	100,000.00		Other income
The first batch of patent funding in 2020	50,000.00	Other income	50,000.00		Other income
Social security subsidies for rural labor	3,577.14	Other income	3,577.14		Other income
Awards of Zhangzhou Industrial Design Competition	17,000.00	Other income	17,000.00		Other income
Subsidy for the Guangzhou Export Commodities Fair	20,000.00	Other income	20,000.00		Other income
Reward for absorbing the impoverished people to work in 2020	5,659.57	Other income	5,659.57		Other income
2017 Fujian Science and Technology Award		Other income		100,000.00	Other income
Special subsidies for online technology trading projects		Other income		18,400.00	Other income

Items	Amounts	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2020	2019	
2018 patent grant fund award		Other income		150,000.00	Other income
The first batch of patent funding in 2019		Other income		51,000.00	Other income
Intellectual property advantage enterprise funding		Other income		100,000.00	Other income
Provincial increase in production and efficiency incentive funds in 2019 Q1		Other income		447,500.00	Other income
Subsidies for high-level R & D and innovation platforms		Other income		300,000.00	Other income
The second batch of patent funding in 2019		Other income		38,000.00	Other income
Enterprise employment incentives		Other income		611,926.68	Other income
Demolition funds		Non-operating income		21,162,176.00	Non-operating income

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not Under Common control

None

6.2 Business Combination under Common Control

None

6.3 Other reasons for change of consolidated scope

In April 2020, the Company cancelled its subsidiary TsannKuen (Zhangzhou) Investment Co., Ltd. (TKI). From the date of completion of the cancellation, TsannKuen (Zhangzhou) Investment Co., Ltd. will no longer be included in the scope of the consolidated statements. The income, expenses, and profits before the completion of the cancellation will be included in the consolidated income statement, and the cash flows before the completion of the cancellation will be included in the consolidated cash flow statement.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

7.1.1 Composition of corporate group

Name of subsidiary	Principal place of business	Registered City	Nature of business	Percentage of equity interests by the Company (%)		Methods of acquisition
				Direct	Indirect	
TsannKuen (Zhangzhou) Enterprise Co., Ltd.(TKL)	Zhangzhou	Zhangzhou	Manufactures home electronic appliance	75.00	75.00	Acquired through establishment
TsannKuen China (Shanghai) Enterprise Co., Ltd. (TKS)	Shanghai	Shanghai	Manufactures 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	Manufactures 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 Property Services Co., Ltd. (TKW)	Xiamen	Xiamen	Property services	100.00	100.00	Acquired through establishment

Name of subsidiary	Principal place of business	Registered City	Nature of business	Percentage of equity interests by the Company (%)		Methods of acquisition
				Direct	Indirect	
East Sino Development Limited. (East Sino)	Hong Kong	Hong Kong	Investment, Trading	75.00	100.00	Acquired through business combination under common control
Pt.Star Comgistic Indonesia (SCI)	Indonesia	Indonesia	Manufactures 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 not under common control
Tsannkuen Edge Intelligence Co., Ltd. (TKEI)	Taiwan	Taiwan	Industrial design	75.00	100.00	Acquired through business combination under common control
TsannKuen (Zhangzhou) Investment Co., Ltd. (TKI)	Zhangzhou	Zhangzhou	Investment, Trading	75.00	100.00	Acquired through establishment

7.1.2 Significant non-wholly owned subsidiaries

Name of subsidiary	Proportion of ownership interest held by non-controlling interests	Profit or loss attributable to non-controlling interests during the reporting period	Dividends declared to distribute to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
TKL	25.00	42,525,739.47	26,395,184.92	357,422,205.73
TKS	53.13	2,899,437.51		123,699,576.83
SCI	25.00	394,729.15		26,745,020.01
TKEI	25.00	574,102.42		4,440,579.65

7.1.3 Main financial information of significant non-wholly owned subsidiaries

Name of subsidiary	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TKL	1,940,114,137.32	461,271,522.51	2,401,385,659.83	968,573,551.91	3,123,285.00	971,696,836.91
TKS	274,648,848.79	8,783,159.66	283,432,008.45	2,293,127.59	48,292,618.59	50,585,746.18
SCI	140,047,331.70	67,251,146.96	207,298,478.66	100,318,398.62		100,318,398.62
TKEI	18,999,605.00	2,456,721.00	21,456,326.00	3,371,583.52	322,423.88	3,694,007.40

(Continued)

Name of subsidiary	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TKL	1,585,989,781.79	477,030,933.80	2,063,020,715.59	697,311,007.52	543,103.35	697,854,110.87
TKS	266,758,090.65	11,936,773.80	278,694,864.45	3,013,748.32	48,292,618.59	51,306,366.91
SCI	81,050,940.01	73,740,744.72	154,791,684.73	42,010,662.19		42,010,662.19
TKEI	16,327,132.09	3,383,316.35	19,710,448.44	3,674,562.65	425,896.15	4,100,458.80

(Continued)

Name of subsidiary	2020			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
TKL	1,925,972,956.80	170,102,957.89		375,104,778.07
TKS	935,988.16	5,457,764.73		21,277,974.84

Name of subsidiary	2020			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
SCI	242,314,396.65	1,578,916.61		-24,842,285.74
TKEI	11,923,713.18	2,296,409.71		1,962,210.40

(Continued)

Name of subsidiary	2019			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
TKL	1,891,438,194.50	117,117,735.59		121,362,837.92
TKS	1,009,359.74	64,576,091.37		20,111,191.73
SCI	112,791,823.64	-15,500,417.14		-6,027,787.01
TKEI	7,893,221.28	-2,817,850.84		-1,395,768.29

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

None

8. RISKS RELATED TO FINANCIAL INSTRUMENTS

The main financial instruments of the Company include equity investments, debt investments, loans, accounts receivable, accounts payable and etc., please see Note 5 for detail of related items. The risks associated with financial instruments and the risk management policies which the Company uses to reduce these risks are described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range.

The Company uses sensitivity analysis techniques to analyze the possible impact of reasonable and possible changes in risk variables on current profits and losses or shareholder equity. Since any risk variable rarely changes in isolation, and the correlation between variables will have a significant effect on the final impact of the change of a certain risk variable, the following contents are based on the assumption that the change of each variable is carried out independently.

8.1 The targets and policies of risks management

The target of the Company's risk management is to achieve an appropriate balance between risks and returns, reduce the negative impact of risks on the Company's operating performance to the lowest level, and maximize the interests of shareholders and other equity

investors. Based on this risk management objective, the basic strategy of the Company's risk management is to determine and analyze the various risks faced by the Company, to establish suitable risk tolerance baseline and conduct risk management, and to supervise various risks timely and reliably, so the the risks are controlled within a limited range.

8.1.1 Market risk

8.1.1.1 Foreign exchange risk

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

8.1.1.1.1 As of December 31, 2020, the main foreign exchange exposure of the Company's foreign currency assets and liabilities are as follows (For presentation purpose, the exposures are presented in CNY and transferred at the spot rate of the balance sheet date):

Items	31 December 2020	31 December 2019
Cash and cash equivalent	184,142,487.23	176,871,782.30
Accounts receivable	462,881,138.22	284,850,806.41
Other receivables	812,189.04	1,116,258.83
Accounts payable	102,150,272.47	71,785,937.07
Other payables	3,506,599.56	2,319,594.65
Short-term loan	16,345,141.13	

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

8.2 Credit Risk

On December 31, 2020, the maximum credit risk exposure that may cause financial loss of the Company mainly comes from the loss of financial assets of the company caused by the failure of the other party to perform its obligations and the financial guarantee undertaken by the Company, including:

The book amount of financial assets recognized in the consolidated balance sheet; for financial instruments at fair value, the book value reflects their risk exposure, but not the

maximum risk exposure, and the maximum risk exposure will change as their fair value changes in the future.

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

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

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

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

8.2.2 Analysis of financial assets that have suffered an individual impairment

The Company does not have any single impairment financial assets.

8.3 Liquidity Risk

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

9. FAIR VALUE DISCLOSURES

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

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

9.1 Assets and Liabilities Measured at Fair Value at 31 December 2020

Items	Fair value at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
(a) Held-for-trading financial assets				
(i) Financial assets at fair value through profit or loss	720,821,900.00			720,821,900.00
Debt instruments	700,000,000.00			700,000,000.00
Equity instruments				
Derivatives	20,821,900.00			20,821,900.00
Total assets measured at fair value on a recurring basis	720,821,900.00			720,821,900.00
(b) Held-for-trading financial liabilities				
(i) Held-for-trading bonds				
(ii) Derivatives				
(iii) Others				
Total liabilities measured at fair value on a recurring basis				

9.2 Determination for the Quoted Prices of Fair Value Measurement in Level 1 on a Recurring or Nonrecurring Basis

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

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**10.1 General Information of the Parent Company**

Name of the parent	Registered address	Nature of the business	Registered capital	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
STAR COMGISTIC CAPITAL CO., LTD.	Taiwan	Manufactures and sales electrical equipment	NTD 3,000,000,000.00	42.90	44.68

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

10.2 General Information of Subsidiaries

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

10.3 Other Related Parties of the Company

Name	Relationship with the Company
Thermaster Electronic (Xiamen) Ltd.	The company is directly controlled by the key management and closed family members
TsannKuen Enterprise Co., Ltd.	Same actual controller
Gold mine chain enterprise Co., Ltd	Same actual controller
Xiamen Wuhuama Restaurant Management Co., Ltd.	Ultimate holding company have equity
Canxing International Travel Service Co., Ltd	Same actual controller

10.4 Related Party Transactions

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

Purchases of goods, receiving of services:

Related parties	Nature of the transaction(s)	2020	2019
Thermaster Electronic (Xiamen) Ltd.	Purchase of goods	42,913,323.94	36,183,028.16
TsannKuen Enterprise Co., Ltd.	Purchase of goods	10,303.44	2,909.57
Gold mine chain enterprise Co., Ltd	Purchase of goods	3,395.48	2,317.48
STAR COMGISTIC CAPITAL CO., LTD.	Purchase of goods	1,258.52	7,181.83
Total		42,928,281.38	36,195,437.04

Sales of goods and rendering of services:

Related parties	Nature of the transaction(s)	2020	2019
STAR COMGISTIC CAPITAL CO., LTD.	Sales of goods	8,476,153.59	11,059,581.80
Total		8,476,153.59	11,059,581.80

10.4.2 Leases

The Company as lessor:

The lessee	Type of assets	2020	2019
Xiamen Wuhuama Restaurant Management Co., Ltd.	Property	24,941.37	51,828.96
Total		24,941.37	51,828.96

The Company as lessee

The lessor	Type of assets	2020	2019
STAR COMGISTIC CAPITAL CO., LTD.	Property	1,182,432.53	1,129,317.89
Total		1,182,432.53	1,129,317.89

10.4.3 Transfers of assets and debt restructuring

Related parties	Nature of the transaction(s)	2020	2019
STAR COMGISTIC CAPITAL CO., LTD.	Sale of fixed assets		23,060.39
Total			23,060.39

10.4.4 Key management personnel compensation

Item	2020	2019
Key management personnel compensation	315.81	287.55

10.4.5 Other related party transactions

Related parties	Nature of the transaction(s)	2020	2019
STAR COMGISTIC CAPITAL CO., LTD.	Quality claim payment	533,432.11	
Gold mine chain enterprise Co., Ltd	Provide labor service	26,723.74	29,777.74
Canxing International Travel Service Co., Ltd	Accept service	18,023.73	374,204.59
TsannKuen Enterprise Co., Ltd.	Accept labor service	170.22	
Total		578,349.80	403,982.33

10.5 Receivables and Payables with Related Parties**10.5.1 Receivables**

Items	Related parties	31 December 2020		31 December 2019	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	STAR COMGISTIC CAPITAL CO., LTD.	2,211,530.36		2,263,799.22	
Other receivables	STAR COMGISTIC CAPITAL CO., LTD.	202,165.15		206,827.94	

Items	Related parties	31 December 2020		31 December 2019	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Total		2,413,695.51		2,470,627.16	

10.5.2 Payables

Items	Related parties	31 December 2020	31 December 2019
Accounts payable	Thermaster Electronic (Xiamen) Ltd	14,561,684.71	7,317,114.51
Advances from customers	Xiamen Wuhuama Restaurant Management Co., Ltd.		19,731.63
Other payables	STAR COMGISTIC CAPITAL CO., LTD.	533,432.11	117,215.44
Other payables	TsannKuen Enterprise Co., Ltd.	1,521.28	
Other payables	Xiamen Wuhuama Restaurant Management Co., Ltd.		27,056.60
Other payables	Canxing International Travel Service Co., Ltd		27,990.96
Total		15,096,638.10	7,509,109.14

11. COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

11.1.1 Operating lease commitments:

Items	31 December 2020	31 December 2019
Minimum lease payments under non-cancellable operating leases:		
Within 1 year	3,638.00	3,638.00
1-2 years	3,638.00	3,638.00
2-3 years	3,638.00	3,638.00
Subsequent years	109,133.00	112,771.00
Total	120,047.00	123,685.00

11.1.2 Operating lease commitments:

None.

11.2 Contingencies

Significant contingencies existing at the balance sheet date:

As of 31st December 2020, The Company has no significant contingencies need to be disclosed.

12. EVENTS AFTER THE REPORTING PERIOD

12.1 Profit Distribution

On March 20, 2021, the third Board Meeting of 2021 held by the Company reviewed and approved the profit distribution plan for 2020. Based on the total share capital of 185,391,680 shares as at the end of 2020, cash dividend of CNY 1.5 per 10 shares will be distributed to all shareholders of the Company (tax included). The profit for distribution of the Company is CNY 27,808,752.00. The proposal still needs to be approved by the shareholders' general meeting of the Company.

12.2 Impact of the new accounting standards from 1 January 2020

On December 2018, the Ministry of Finance issued the "Notice on the Revision and Issuance of CAS 21 - Lease"(CaiKuai [2018] No. 35) (hereinafter collectively referred to as the New Lease Standards), and requires companies that are both domestically and overseas listed, and companies listed overseas which utilize the International Financial Reporting Standards or Business Accounting Standards to implement the new lease standards starting from 1 January 2019. Other domestically listed companies shall implement the new lease standards starting from 1 January 2020. As approved by the Company's first board meeting on 12 January 2021, the Company shall implement the above new revenue standard from 1 January 2021, and change relevant accounting policies in accordance with the provisions of the new lease standards.

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

13.1 Accounts Receivable

13.1.1 Accounts receivable by aging

Aging	31 December 2020	31 December 2019
Within 1 year	2,748,224.01	6,124,172.21
Including: 1 – 90 days	2,397,992.02	4,141,000.56
91 – 180 days	250,231.99	1,883,171.65
181 – 270 days	100,000.00	100,000.00
271 – 365 days		

Aging	31 December 2020	31 December 2019
1-2 years		725,880.65
2-3 years		432,446.13
Over 3 years	5,000.00	5,645.49
Subtotal	2,753,224.01	7,288,144.48
Less: Provision for bad debt	43,085.53	1,420,186.28
Total	2,710,138.48	5,867,958.20

13.1.2 Accounts receivable by bad debt provision method

Category	31 December 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognised collectively	2,753,224.01	100.00	43,085.53	1.56	2,710,138.48
Including: Portfolio by age	2,708,902.92	98.39	43,085.53	1.59	2,665,817.39
Portfolio by related parties	44,321.09	1.61			44,321.09
Total	2,753,224.01	100.00	43,085.53	1.56	2,710,138.48

(Continued)

Category	31 December 2019				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Carrying amount	
Provision for bad debt recognised individually					
Provision for bad debt recognised collectively	7,288,144.48	100.00	1,420,186.28	19.49	5,867,958.20
Including: Portfolio by age	7,175,859.42	98.46	1,420,186.28	19.79	5,755,673.14
Portfolio by related parties	112,285.06	1.54			112,285.06
Total	7,288,144.48	100.00	1,420,186.28	19.49	5,867,958.20

Specific instructions for provision for bad debts:

As of 31 December 2020 and 31 December 2019, accounts receivable with bad debt provision recognised collectively by aging

Aging	31 December 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Not overdue	2,089,752.42	10,448.76	0.50
Overdue 1 – 30 days	614,150.50	27,636.77	4.50
Overdue 31 – 60 days			
Overdue 61 – 90 days			
Overdue more than 90 days	5,000.00	5,000.00	100.00
Total	2,708,902.92	43,085.53	1.59

(Continued)

Aging	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Not overdue	3,886,655.88	19,433.28	0.50
Overdue 1 – 30 days	1,730,745.30	77,883.54	4.50
Overdue 31 – 60 days	294,485.97	58,897.19	20.00
Overdue 61 – 90 days			45.00
Overdue more than 90 days	1,263,972.27	1,263,972.27	100.00
Total	7,175,859.42	1,420,186.28	19.79

As of 31 December 2020 and 31 December 2019, accounts receivable with bad debt provision recognised collectively by related parties

Aging	31 December 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Related parties accounts receivable	44,321.09		
Total	44,321.09		

(Continued)

Aging	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Related parties accounts receivable	112,285.06		
Total	112,285.06		

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

13.1.3 Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			31 December 2020
		Provision	Recovery or reversal	Write-off	
Provision for bad debt recognised collectively	1,420,186.28		1,377,100.75		43,085.53
Total	1,420,186.28		1,377,100.75		43,085.53

13.1.4 On 31 December 2020, top five closing balances by entity

Entity name	Balance at 31 December 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Pinluo Technology (Pingtan) Co., Ltd.	1,483,415.94	53.88	31,905.72
Tianjin Jihuo Technology Development Co., Ltd.	466,859.98	16.96	2,334.30
Shanghai LOCK&LOCK Trading Co., Ltd.	435,004.80	15.80	2,175.02
Peiqi Industry (Shanghai) Co., Ltd.	207,881.68	7.55	1,039.41
Electrolux (China) Electric Co., Ltd. Shanghai Branch	100,000.00	3.63	500.00
Total	2,693,162.40	97.82	37,954.45

13.2 Other Receivables**13.2.1 Other receivables by category**

Items	31 December 2020	31 December 2019
Interest receivable		
Dividend receivable		
Other receivables	3,311,425.63	2,622,732.62
Total	3,311,425.63	2,622,732.62

13.2.2 Interest receivable

None

13.2.3 Dividends receivable

None

13.2.4 Other receivables

13.2.4.1 Other receivables by aging

Aging	31 December 2020	31 December 2019
Within 1 year	3,235,576.23	2,439,584.72
Including: 1 – 90 days	3,135,074.23	2,271,063.69
91 – 180 days	38,800.00	168,521.03
181 – 270 days	52,902.00	
271 – 365 days	8,800.00	
1-2 years		250,418.00
2-3 years	102,300.00	
Over 3 years		
Subtotal	3,337,876.23	2,690,002.72
Less: Provision for bad debt	26,450.60	67,270.10
Total	3,311,425.63	2,622,732.62

13.2.4.2 Other receivables by nature

Nature	31 December 2020	31 December 2019
Deposit	100,000.00	214,400.00
Due from related parties	2,809,136.68	1,800,844.03
Other open credits	428,739.55	674,758.69
Subtotal	3,337,876.23	2,690,002.72
Less: Provisions for bad debt	26,450.60	67,270.10
Total	3,311,425.63	2,622,732.62

13.2.4.3 Other receivables by bad debt provision method

13.2.4.3.1 As of 31 December 2020, provision for bad debt recognised based on three stages model:

Stages	Book balance	Provision for bad debt	Book value
Stage 1	3,337,876.23	26,450.60	3,311,425.63
Stage 2			
Stage 3			
Total	3,337,876.23	26,450.60	3,311,425.63

As of 31 December 2020, provision for bad debt in stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt					

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
recognised individually					
Provision for bad debt recognised collectively	3,337,876.23	0.79	26,450.60	3,311,425.63	
Deposit	100,000.00			100,000.00	
Due from related parties	2,809,136.68			2,809,136.68	
Other open credits	428,739.55	6.17	26,450.60	402,288.95	
Total	3,337,876.23	0.79	26,450.60	3,311,425.63	

13.2.4.3.2 As of 31 December 2020, provision for bad debt recognised based on three stages model:

Stages	Book balance	Provision for bad debt	Book value
Stage 1	2,690,002.72	67,270.10	2,622,732.62
Stage 2			
Stage 3			
Total	2,690,002.72	67,270.10	2,622,732.62

As of 31 December 2019, provision for bad debt in stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt recognised individually					
Provision for bad debt recognised collectively	2,690,002.72	2.50	67,270.10	2,622,732.62	
Deposit	214,400.00			214,400.00	
Due from related parties	1,800,844.03			1,800,844.03	
Other open credits	674,758.69	9.97	67,270.10	607,488.59	
Total	2,690,002.72	2.50	67,270.10	2,622,732.62	

Basis for the amount of bad debt provisions for the current period:

Refer to Note 3.10 for the recognition criteria and description of the bad debt provisions based on groups.

13.2.4.4 Changes of provision for bad debt during the reporting period

Provision for loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (not credit-impaired)	Lifetime expected credit losses (credit-impaired)	
Balance at 1 January 2020	67,270.10			67,270.10
Balance at 1 January 2020 recognised in the reporting period	—	—	—	—
Transfer to stage 2				
Transfer to stage 3				
Transfer back to stage 2				
Transfer back to stage 1				
Provision				
Recovery	40,819.50			40,819.50
Reversal				
Write-off				
Other changes				
Balance on 31 December 2020	26,450.60			26,450.60

13.2.4.5 Other receivables write-off during the reporting period

Entity name	Nature	Balance as of 31 December 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
TKL	Open credits	2,809,136.68	Within 90 days	84.16	
HARRIS BRICKEN MCVAYSLIWOSKI,LLP	Litigation	52,902.00	181 – 270 days	1.58	15,870.60
Alipay	Deposit	50,000.00	2 – 3 years	1.50	
Xiamen TsannKuen	Deposit	50,000.00	2 – 3 years	1.50	

Entity name	Nature	Balance as of 31 December 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Flagship Store Alipay					
Guangzhou Intellectual Property Court	Litigation	28,800.00	91 – 365 days	0.86	6,400.00
Total		2,990,838.68		89.60	22,270.60

13.3 Long-term Equity Investments

Items	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Subsidiaries	923,414,701.56		923,414,701.56	923,414,701.56		923,414,701.56
Joint ventures and associates						
Total	923,414,701.56		923,414,701.56	923,414,701.56		923,414,701.56

13.3.1 Investments in subsidiaries

Investees	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020	Provision for impairment during the reporting period	Provision for impairment at 31 December 2020
TsannKuen (Zhangzhou) Enterprise Co., Ltd.(TKL)	921,914,701.56			921,914,701.56		
Xiamen Tsannkuen Home Appliance Design Co., Ltd. (TKW)	1,500,000.00			1,500,000.00		
Total	923,414,701.56			923,414,701.56		

13.4 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	22,770,398.92	19,877,092.68	33,560,529.62	30,591,361.25

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Other activities	46,113,339.71	31,967,107.21	48,605,028.70	32,381,733.96
Total	68,883,738.63	51,844,199.89	82,165,558.32	62,973,095.21

13.5 Investment Income

Items	2020	2019
Investment income from long-term equity investments under cost method	79,185,554.77	25,443,358.87
Total	79,185,554.77	25,443,358.87

14. SUPPLEMENTARY INFORMATION

14.1 Extraordinary Gains or Losses

Items	2020	2019	Description
Losses on disposal of non-current assets	195,318.03	63,688,086.21	
Tax refunds or reductions with ultra vires approval or without official approval documents			
Government grants recognised in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	6,241,497.95	26,259,614.81	
Funds occupation fee recognised in current profit or loss from non-financial companies			
The excess of attributable fair value of net identifiable assets over the consideration paid for subsidiaries, associates, or joint ventures recognised by the Company			
Gains/(losses) generated from non-monetary asset exchange			
Gains /(losses) on entrusted investments or asset managements			
Provision for impairment of each asset due to force majeure such as a natural disaster			
Gains /(losses) on debt restructuring			

Items	2020	2019	Description
Corporate restructuring charge, such as expenditure for staff resettlement and integration cost			
Gains /(losses) from excess of fair value in non-arm's length transactions			
Net gains /(losses) of subsidiaries arising from business combination under common control from the beginning of the reporting period till the combination date			
Gains /(losses) arising from contingencies other than those related to principal activities of the Company			
Gains /(losses) arising from changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment except effective hedging transactions related to the Company's principal activities	61,211,756.54	19,610,630.54	
Reversal of provision for impairment of accounts receivable tested for impairment individually			
Gains /(losses) arising from entrusted loans to other entities			
Gains /(losses) arising from changes in fair value of investment properties adopting fair value model for subsequent measurement			
Impact of one-off adjustment to current profit or loss based on the requirements of taxation and accounting laws and regulations			
Custody fee income from entrusted operations			
Other non-operating income/expenses except for items mentioned above	4,668,961.96	5,303,835.25	

Items	2020	2019	Description
Other extraordinary gains/(losses) defined			
Total extraordinary gains/(losses)	72,317,534.48	114,862,166.81	
Less: tax effect	11,395,313.47	26,185,728.82	
Net extraordinary gains/(losses)	60,922,221.01	88,676,437.99	
Less: net extraordinary gains/(losses) attributable to non-controlling interest	16,086,116.54	40,711,211.94	
Net extraordinary gains/(losses) attributable to ordinary shareholders	44,836,104.47	47,965,226.05	

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

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

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

14.2.1 Year 2020

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	17.34	0.75	0.75
Net profit attributable to ordinary shareholders after extraordinary gains and losses	11.82	0.51	0.51

14.2.2 Year 2019

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	15.07	0.57	0.57
Net profit attributable to ordinary shareholders after extraordinary gains and losses	8.20	0.31	0.31

14.3 Supplementary Information on Changes in Accounting Policies

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

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

Date: 20 March 2021