

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Annual Report 2009

(Prepared under PRC GAAP)

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Important Notes

The Board of Directors, Supervisory Committee, and Directors, Supervisors as well as Senior Management Staffs of TSANN KUEN (CHINA) ENTERPRISE CO., LTD. (hereinafter referred to as the Company) warrant that this report does not contain any false or misleading statements or omit any material facts and hereby accept, individually and collectively, responsibility for the truth, accuracy and completeness of the contents of this report.

None of the Directors, Supervisors and Senior Management Staffs has ever declared that he (she) was uncertain of or had any objection to the truthfulness, accuracy and integrity of the annual report.

All directors attended the Board meetings, at which the Annual Report 2009 was examined.

Reanda Certified Public Accountants produced a standard unqualified auditors' report for the Company.

Mr. Jian Derong, Chairman of the Board, and Mr. Chen Zongyi, Accounting Manager, jointly guaranteed that the financial statements enclosed in this annual report are true and complete.

I. Company Profile

1. Name of the Company (Chinese):	厦门灿坤实业股份有限公司
Name of the Company (English):	TSANN KUEN (CHINA) ENTERPRISE CO., LTD.
Company's Name (Abbreviation):	TKC
2. Legal Representative:	Jian Derong
3. Secretary to the Board:	Luo Qingxing
Contact Address:	TSANN KUEN Industrial Park, Longchi Development Zone, Zhangzhou, Fujian
Telephone:	0596-6268103
Fax:	0596-6268104
E-mail:	allenlo@tkl.tsannkuen.com
4. Securities Affairs Representative:	Sun Meimei
Contact Address:	TSANN KUEN Industrial Park, Longchi Development Zone, Zhangzhou, Fujian
Telephone:	0596-6268161
Fax:	0596-6268104
E-mail:	mm_sun@tkl.tsannkuen.com
5. Registered Address	No.88 Xinglong Road, Huli Industrial Park, Xiamen, P.R. China
Post Code of Registered Address	361006
Office Address	TSANN KUEN Industrial Park, Longchi Development Zone, Zhangzhou, Fujian
Post Code of Office Address	363107
Website	www.tsannkuen.com
E-mail	allenlo@tkl.tsannkuen.com

6. Newspaper for Information Disclosure	Domestic <Securities Times> Overseas <Hong Kong Ta Kung Pao>
Website for Disclosing the Annual Report	www.cninfo.com.cn
Place where the Annual Report is Prepared and Placed	TSANN KUEN Industrial Park, Longchi Development Zone, Zhangzhou, Fujian
7. Stock Exchange Listed with	Shenzhen Stock Exchange
Short Form of the stock	Min Tsann Kuen B
Stock Codes	200512
8. Initial Registration Date and Place	On 1 Jan. 1988 in Xiamen
Registration Number of Business License	350200400001420
Organization Code	61200217-0
Registration number of taxation	NTWZi350206612002170
Certified Public Accountants Engaged by the Company	Reanda Certified Public Accountants Co., Ltd.
Auditor's Office Address	Rm. 2008, 1st Block East, 2000 Zhubang, No. 100 Balizhuangxili, Chaoyang District, Beijing, P.R. China

II. Summary of Financial Highlights and Business Highlights

(I). Profit realized as of the year 2009

Unit: RMB Yuan

No.	Item	Amount
1	Operating profit	39,220,705.54
2	Total profit	64,556,409.21
3	Net profit attributable to listed company's shareholders	52,759,688.10
4	Net profit attributable to listed company's shareholders after deducting extraordinary gains and losses	38,824,465.74
5	Net cash flow from operating activities	304,860,856.66

1. Items of extraordinary gains and losses and amount

Unit: RMB Yuan

Items of non-recurring gains and losses	Amount
Net profit	52,759,688.10
Add: gains and losses from disposal of non-current assets, including the part that withdrawn reserve for impairment of assets were offset	(13,413,835.40)
Gains and losses from change in fair value of tradable financial assets and tradable financial liabilities and investment income from disposal of tradable financial assets, tradable financial liabilities and available-for-sale financial assets except for effective hedging business related to normal operation business of the Company	2,561,989.56
Government subsidy measured into current gains and losses, while closely related with the business of the Company, excluding the fixed-amount or fixed-proportion government subsidy enjoyed according to the certain standard	(5,795,350.00)
Other non-operating income and expense beside for the above-mentioned each items	(1,331,821.34)
Subtotal	(17,979,017.18)
Less: influence on enterprise income tax	233,152.17
Less: net profit attributable to minority shareholders after deducting extraordinary gains and losses	3,810,642.65
Net profit attributable to shareholder of parent company after deducting extraordinary gains and losses	38,824,465.74

2. Explanation on difference of net profit under IFRS and PRC GAAP

This financial statement was prepared under PRC GAAP, which was different from that under IFRS. As at 31 Dec. 2009, the net profits attributable to the listed companies' shareholders in statutory financial report was RMB 52,759,688.10 as well as the net assets of RMB 396,565,377.00. Both net profit and net assets after deducting the shareholders' equity should be adjusted, as pursuant to IFRS, as follow:

Unit: RMB Yuan

Item	Net profit as of the year 2009	Net assets as at Dec. 31, 2009
Net profits attributable to listed company's shareholders pursuant to PRC GAAP	52,759,688.10	396,565,377.00
Adjustment pursuant to IFRS		
Adjustment to property, plant and equipment which acquired before 1994 at swap rates	(2,222,635.68)	1,264,821.60
Adjustment of assets revaluation reserves	271,686.19	(1,690,491.85)
Subtotal	(1,950,949.49)	(425,670.25)
Net profits attributable to listed companies' shareholders pursuant to IFRS	50,808,738.61	396,139,706.75

(II). Major accounting data and financial indexes

Special case/ Year		Unit	2009	2008	2007	2009
						2008
1	Operating income	RMB Yuan	2,749,406,200.90	4,043,631,270.32	4,905,280,098.87	-32.01%
2	Total profit	RMB Yuan	64,556,409.21	57,551,126.04	98,202,609.64	12.17%
3	Net profit attributable to listed company's shareholders	RMB Yuan	52,759,688.10	42,536,200.29	67,119,750.63	24.03%
4	Net profit attributable to listed company's shareholders after deducting extraordinary gains and losses	RMB Yuan	38,824,465.74	17,596,190.42	30,838,517.88	120.64%
5	Total assets	RMB Yuan	2,117,764,266.23	2,236,370,415.83	2,908,175,416.95	-5.30%
6	Shareholders' equity (except minority interests)	RMB Yuan	396,565,377.00	343,776,758.97	303,180,721.82	15.36%
7	Net cash flow arising from operating activities	RMB Yuan	304,860,856.66	333,456,414.61	493,183,996.98	-8.58%
8	Net cash flow per share arising from operating activities	RMB Yuan	0.2741	0.2998	0.4434	-8.57%
9	Net assets per share attributable to listed company's shareholders	RMB Yuan	0.3565	0.3091	0.2726	15.33%
10	Net assets per share after adjustment	RMB Yuan	0.3553	0.3083	0.2716	15.26%
11	Basic earnings per share	RMB Yuan	0.05	0.04	0.06	25.00%
12	Earnings per share after deducting extraordinary gains and losses	RMB Yuan	0.0349	0.0158	0.0277	120.89%
13	Return on net assets	Diluted	13.30%	12.37%	22.14%	0.93%
		Weighted	14.25%	13.15%	25.55%	1.10%

(III). Fully diluted and weighted average equity on return and EPS

Profit in the report period	Return on equity (%)		EPS (RMB Yuan)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit attributable to Company's shareholders holding ordinary share	13.30%	14.25%	0.0474	0.0474
Net profit attributable to Company's shareholders holding ordinary share after deducting extraordinary gains and losses	9.79%	10.49%	0.0349	0.0349

(IV). Statement on changes of shareholders' equity in the report period

Unit: RMB Yuan

Items	Shareholders' equity attributable to parent company								Minority interests	Total Shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserve	General risk reserve	Retained profit	Converted difference in foreign currency statements		
I. Balance at the end of previous year	1,112,350,077.00	125,073,743.50					(893,107,158.60)	(539,902.93)	337,417,868.22	681,194,627.19
plus(I): changes of accounting policies										
(II) Correction of accounting errors in prior years										
Other										
II. Balance at the beginning of this year	1,112,350,077.00	125,073,743.50					(893,107,158.60)	(539,902.93)	337,417,868.22	681,194,627.19
III. Increase/decrease for year 2009		140,247.33					52,759,688.10	(111,317.40)	19,696,273.24	72,484,891.27
(I) Net profit							52,759,688.10		18,906,399.19	71,666,087.29
(II) Other comprehensive gains		140,247.33						(111,317.40)		28,929.93
Subtotal of (I) and (II)		140,247.33					52,759,688.10	(111,317.40)	18,906,399.19	71,695,017.22
(III) Input by the shareholders and reduced capital									789,874.05	789,874.05
1. Capital input by shareholders									730,000.00	730,000.00
2. Amount of share payment included in the owners' equity										
3. Other									59,874.05	59,874.05
(IV) Profit distribution for the year 2009										
1. Withdrawing surplus reserve										
2. Withdrawal of general risk reserve										
3. Distribution to shareholders										
4. Other										
(V) Internal settlement and transfer of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve makes up for the loss										
4. Others										
(VI) Special reserve										
1. Withdrawing in this year										
2. Expenditure in this year										
IV. Balance at the end of this year	1,112,350,077.00	125,213,990.83					(840,347,470.50)	(651,220.33)	357,114,141.46	753,679,518.46

III. Changes in Share Capital and Particulars about Shareholders

(I). Changes of shares

Unit: share

	Prior to the change		Increase/decrease of this change (+,-)					Subsequent to the change	
	Quality	Proportion	Issuance of new share	Bonus Share	Capitalization of public reserve	Other	Subtotal	Quality	Proportion
I. Unlisted circulation shares									
1. Sponsors' shares									
Including: Shares held by the state									
Share held by domestic corporation									
Share held by foreign corporation									
Other									
2. Raised corporation's shares									
3. Employees' shares									
4. Preference shares or others									
II. Listed circulation shares	1,112,350,077	100%						1,112,350,077	100%
1. RMB ordinary shares									
2. Domestically listed foreign shares	1,112,350,077	100%						1,112,350,077	100%
3. Overseas listed foreign shares									
4. Others									
III. Total Share	1,112,350,077	100%						1,112,350,077	100%

(II). Introduction about issuing and listing of shares:

As approved by China Securities Regulatory Commission with the Notice on Approval of the Unlisted Foreign Shares of the Company for Listing and Circulating (ZJGS Zi [2006] No. 266 document), the unlisted foreign shares of the Company totaling to 700,476,830 shares (accounting for 62.97% of total share capital) were converted into tradable B shares on 29 Nov. 2006. Furthermore, the said shares could be listed for trade in B Shares Market of Shenzhen Stock Exchange since 29 Nov. 2007. Hereto, all shares of the Company are circulation shares. For details, please refer to the Public Notice on Listing and Circulating of Unlisted Foreign Shares published on Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> on 27 Nov. 2007.

(III). Brief introduction of shareholders

1. Number of the shareholders:

The total number of the Company's shareholders by the end of the reporting period was 33,661.

2. Shares held by the top ten shareholders:

No.	Name of shareholder	Attribute of shareholder	Proportion in total share	Quality of shares held	Quality of non-tradable shares held	Quality of shares pledged or frozen
1	FORDCHEE DEVELOPMENT LIMITED	Foreign corporation	29.10%	323,643,179	0	0
2	EUPA INDUSTRY CORPORATION LIMITED	Foreign corporation	16.35%	181,855,147	0	0
3	FILLMAN INVESTMENTS LIMITED	Foreign corporation	4.68%	52,099,302	0	0
4	TIMMERTON CO INC	Foreign corporation	1.30%	14,505,644	0	Unknown
5	CHEN YONG QUAN	Domestic natural person	0.68%	7,596,656	0	Unknown
6	CSC SECURITIES(HK)LTD	Foreign corporation	0.60%	6,648,379	0	Unknown
7	CHEN YONG QING	Domestic natural person	0.53%	5,855,089	0	Unknown
8	CHEN LI JUAN	Foreign natural person	0.51%	5,694,746	0	Unknown
9	HE JIAN XIONG	Domestic natural person	0.40%	4,439,551	0	Unknown
10	THAI SHU HUI	Foreign natural person	0.39%	4,294,433	0	0

3. Shares held by top ten tradable shareholders:

No	Name of shareholder	Number of tradable shares held	Type of Share
1	FORDCHEE DEVELOPMENT LIMITED	323,643,179	B share
2	EUPA INDUSTRY CORPORATION LIMITED	181,855,147	B share
3	FILLMAN INVESTMENTS LIMITED	52,099,302	B share
4	TIMMERTON CO INC	14,505,644	B share
5	CHEN YONG QUAN	7,596,656	B share
6	CSC SECURITIES(HK)LTD	6,648,379	B share
7	CHEN YONG QING	5,855,089	B share
8	CHEN LI JUAN	5,694,746	B share
9	HE JIAN XIONG	4,439,551	B share
10	THAI SHU HUI	4,294,433	B share

Explanation on related relationship and action-in-concert among above mentioned shareholders

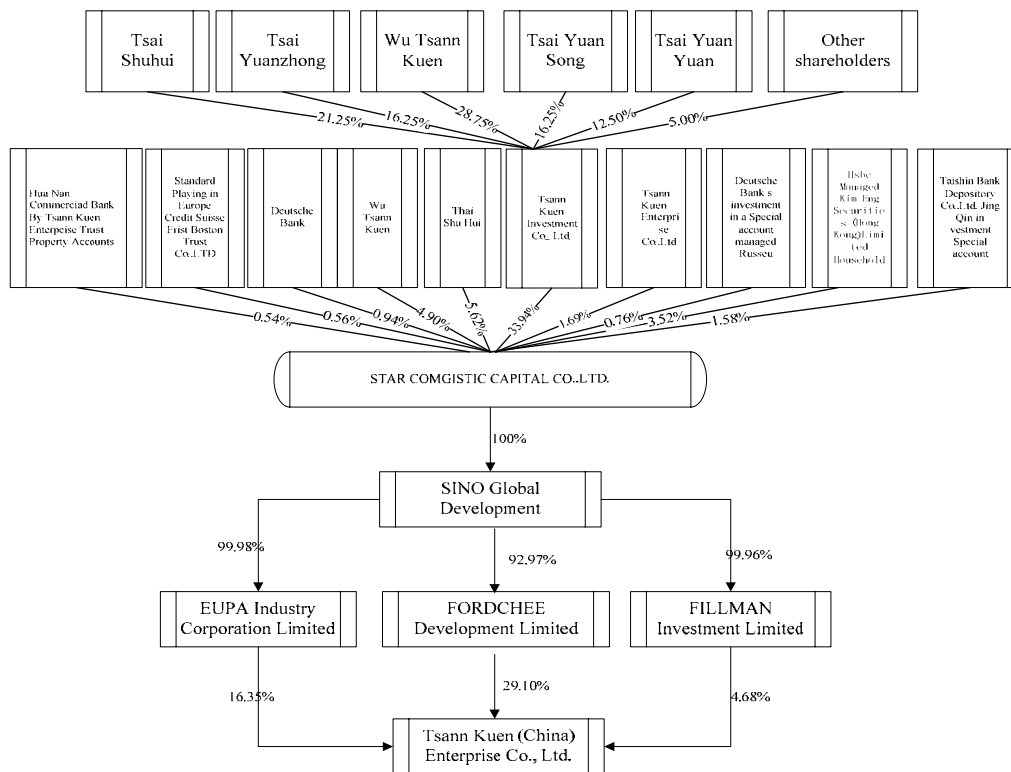
The top three shareholders are the controlling shareholders. Tsai Shuhui is a spouse of Wu Tsann Kuen, the actual controller of the Company. The Company was not aware that whether there were any related relationships between other shareholders holding tradable shares and whether or not the other shareholders holding tradable shares belonged to the action-in-concert people specified in The Regulations for Information Disclosure on the Change of Shares Held by the Shareholders of the Listed Companies.

(IV). Brief introduction about the controlling shareholders of the Company

Name of shareholder	Legal representative	Date of establishment	Business scope	Registered capital	Pledged
FORDCHEE DEVELOPMENT LTD	Jian Derong	3 Jan. 1990	Investment	HKD 10,000	Naught
EUPA INDUSTRY CORPORATION LTD	Jian Derong	21 Jul. 1989	Investment	HKD 100,000	Naught
FILLMAN INVESTMENTS LTD	Jian Derong	21 Jul. 1992	Investment	HKD 10,000	Naught

(V). Description of the actual controller

1. Name: Wu Tsann Kuen
2. Nationality: Taiwan
3. Whether he has the right of residence in other countries or territories: Nil
4. Job occupations and positions over the past five years: Promoter of TSANN KUEN Group in China and Taiwan
5. The property right and controlling relationship between the Company and the actual controller are as follows:



6. Whether the actual controller controlled the Company through trust or other methods of assets management: Nil

IV. Directors, Supervisors, Senior Executives and Employees

(I). Directors, Supervisors and Senior Executives

1. Basic information

Name	Position	Sex	Age	Office term	Number of shares held at the year-begin	Number of shares held at the year-end	Reason for change	Total payment drawn from the Company in the reporting period (RMB'0000)	Equity incentive in the reporting period	Drawing payment from the shareholding companies or other related parties or not (Yes/No)
Jian Derong	Chairman of the Board	Male	48	24 May 2008-23 May 2011	0	0	Naught	27.91	No	No
Zhuang Xing	Director	Male	55	24 May 2008-23 May 2011	0	0		3.6	No	Yes
Tang Qiongshan	Director GM	Male	47	24 May 2008-23 May 2011	0	0		24.39	No	No
Chen Yanjun	Director	Male	48	24 May 2008-23 May 2011	0	0		3.6	No	Yes
Lu Jianxin	Independent director	Male	63	24 May 2008-23 May 2011	0	0		3	No	No
Xu Rentang	Independent director	Male	69	24 May 2008-23 May 2011	0	0		12	No	No
Ge Xiaoping	Independent director	Female	47	24 May 2008-23 May 2011	0	0		15	No	No
Zhou Zhonggeng	Supervisor	Male	55	24 May 2008-23 May 2011	0	0		10	No	No
Diao Weiren	Supervisor	Male	55	24 May 2008-23 May 2011	0	0		10	No	No
Tsai Shuren	Supervisor	Male	45	1 Mar. 2008-23 May 2011	0	0		22.2	No	No
Luo Qingxing	Secretary of the Board	Male	55	Since 7 Jan. 2003	0	0		23.5	No	No
Chen Zongyi	Accounting Manager	Male	33	Since 17 Jul. 2008	0	0		16.53	No	No
Total					0	0			171.73	0
Remuneration for Independent Director				Travel charge, traffic fee and telecommunication for/during the Meeting was paid according to the Company's regulations						
Directors or Supervisors who did not draw the remuneration and subsidy from the Company				Lu Jianxin, an independent director of the Company, submitted a written report without drawing salary to the Board of Directors on 16 Feb. 2009, in which he expressed that he continued to fulfill his duties as before, namely, he did not draw remuneration for independent director during the period of he occupying independent director since 16 Feb. 2009, only reimbursed fees for work. For details, please refer to the Public Notice on Independent Director Lu Jianxin Not Drawing Remuneration for Director disclosed on 17 Feb. 2009.						

2. Status of Directors and Supervisors in employment in the shareholding companies

Name	Name of shareholding company	Position in shareholding company	Office term	Drawing payment or subsidy from the shareholding company(Yes/No)
Jian Derong	STAR COMGISTIC CAPITAL CO., LTD.	Chairman of the Board	1 Nov. 2009-31 Oct. 2012	No
	FORDCHEE DEVELOPMENT LTD EUPA INDUSTRY CORPORATION LTD FILLMAN INVESTMENTS LTD	Director	26 Feb. 2009-	No
Zhuang Xing	STAR COMGISTIC CAPITAL CO., LTD.	Director	1 Nov. 2009-31 Oct. 2012	No
Chen Yanjun	STAR COMGISTIC CAPITAL CO., LTD.	Director	1 Nov. 2009-31 Oct. 2012	No

3. Main working experience of present Directors, Supervisors and Senior Management Staffs and their posts in other enterprises except shareholding companies

Jian Derong	Chairman of the Board	2008.05.24- Now	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Chairman of the Board
		2006.12.09-2008.05.23	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	General Manager
		2006.10-2006.12.08	TSANN KUEN (ZHANGZHOU) ENTERPEISE CO. LTD.	Deputy GM
		1998.01-2006.10	TSANN KUEN JAPAN CORPORATION	CEO (Deputy GM)
Zhuang Xing	Director	2006.06- Now	TSANN KUEN (Taiwan) ENTERPRISE CO. LTD	Chairman of the Board
		2003.05.-2006.06	TSANN KUEN (Taiwan) ENTERPRISE CO. LTD	Executive Director
Tang Qionshan	Director GM	2008.05- Now	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	General Manager
		2008.01-2008.05	TSANN KUEN (ZHANGZHOU) ENTERPEISE CO. LTD.	Manager-in-training of Purchase Dept.
		2007.09-2008.01	TSANN KUEN (ZHANGZHOU) ENTERPEISE CO. LTD.	Deputy GM of Purchase Dept.
		2005.01-2007.09	Taiwan Tsann Kuen 3C / 2C	Assistant Manager of Household Appliance Dept
Chen Yanjun	Director	2008.01-Now	TSANN KUEN (Taiwan) ENTERPRISE CO. LTD/Group	Financial General Manager
		2005.05-2007.12	HOLA	Vice Chairman of the Board, chief strategy officer
		2004.04-2005.04	TSANN KUEN Group	CFO and spokesperson
Xu Rentang	Independent Director	2004-2008	Midwave Group Ltd.	General Manager
Lu Jianxin	Independent Director	2006.11- Now	The Listed Company Association of Xiamen	President
		2002.02-2006.10	Xiamen Securities Regulatory Bureau of CSRC	Chief of the Bureau
Ge Xiaoping	Independent Director	2007.03- Now	Fujian Shu Lun Pan Mindu Certified Public Accountant	Deputy Director Accountant
		2001.11-2007.03	Xiamen Andexin Certified Public Accountants	Chairman of the Board, director Accountant
Zhou Zhonggeng	Supervisor	2002.10- Now	SINGAPORE HUADIANTONG GROUP	Chairman of the Board
Diao Weiren	Supervisor	1998.04- Now	CAPITAL INTERNATIONAL HOLDINGS CO., LTD	Chief Representative of Shanghai Representative Office
Tsai Shuren	Supervisor	2007.09- Now	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Assistant Manager of R&D Dept.
		1999.09-2007.08	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Manager of R&D Dept.
Luo Qingxing	Secretary of the Board	2003.01- Now	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Secretary of the Board
Chen Zongyi	Accounting Manager	2008.10-Now	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Manager of Accounting Dept.
		2008.03-2008.09	TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Deputy Manager of Accounting Dept.
		2007.11-2008.02	AURORA Taiwan	Accounting Officer
		2006.09-2007.08	TSANN KUEN (Taiwan) ENTERPRISE CO. LTD	Accounting Section Chief
		2002.10-2006.08	KPMG Taiwan	Deputy Manager of Auditing Dept.

4. The annual remuneration of Directors, Supervisors and Senior Management Staffs

01. The decision-making procedure and identifiable basis of remuneration to Directors, Supervisors and Senior Management Staffs:

In accordance with the Articles of Association of the Company, the remuneration paid to the Directors and Supervisors were decided by the shareholders' general meeting, while the remuneration paid to other Senior Management Staffs were decided by the Board of Directors. The remuneration for the directors, supervisors and senior management staffs is determined by the market level and Personnel Management Regulations of the Company.

02. Annual remuneration (salary, bonus, allowance, etc.) to the present Directors, Supervisors and Senior Management Staffs

Unit: RMB'0000

Name	Position	Total annual remuneration
Jian Derong	Chairman of the Board	27.91
Zhuang Xing	Director	3.60
Chen Yanjun	Director	3.60
Tang Qiongshan	Director GM	24.39
Xu Rentang	Independent Director	12.00
Lu Jianxin	Independent Director	3.00
Ge Xiaoping	Independent Director	15.00
Zhou Zhonggeng	Supervisor	10.00
Diao Weiren	Supervisor	10.00
Tsai Shuren	Supervisor	22.20
Luo Qingxing	Secretary of the Board	23.50
Chen Zongyi	Accounting Manager	16.53
Total		171.73
Remuneration for Independent Director	Travel charge, traffic fee and telecommunication for/during the Meeting was paid according to the Company's regulations	
Directors or Supervisors who did not draw the remuneration and subsidy from the Company	Lu Jianxin, an independent director of the Company, submitted a written report without drawing salary to the Board of Directors on 16 Feb. 2009, in which he expressed that he continued to fulfill his duties as before, namely, he did not draw remuneration for independent director during the period of he occupying independent director since 16 Feb. 2009, only reimbursed fees for work. For details, please refer to the Public Notice on Independent Director Lu Jianxin Not Drawing Remuneration for Director disclosed on 17 Feb. 2009.	

03. All directors and supervisors received the remuneration from the Company.

04. The Company's directors, supervisors and senior management staffs remained unchanged.

(II). Introduction of employees

Education	Number of person	Classification of person	Number of person
Doctor	0	Sales personnel	309
Master	15	Financial personnel	113
Bachelor	548	Technicians	1,086
College	624	Administrators	937
Below college	7,902	Workers	6,644
Total	9,089	Total	9,089

V. Corporate governance structure

(I). Corporate governance

During the reporting period, the Company standardize its operations strictly in accordance with Company Law, Securities Law and requirements of relevant law and rules promulgated by CSRC, and endlessly amplified and perfected corporate governance of the Company. In 2008, the Company had completed all matters that should be rectified in the corporate governance self-inspection and rectification and improvement program in line with plans. The Board of Directors considered that the actual situation of corporate governance basically accorded with regulations stipulated in regulatory documents such as Code of Corporate Governance for Listed Companies in China. The Company shall continue to strengthen and solidify results of corporate governance special campaign from the following aspects:

1. Strengthen legal consciousness and risk awareness of directors, supervisors and senior management staffs

The Company timely collected and conveyed relevant policies and regulations issued by competent authorities, as well as all business operation guidelines and analysis of various illegal cases to directors, supervisors and senior management staffs for study and reference, organized directors, supervisors and senior management staffs to take part in training concerning all kinds of laws, regulations, policies and business held by Xiamen Securities Regulatory Bureau (competent authorities) and Stock Exchange. Through continual studies and trainings, legal consciousness and risk awareness of directors, supervisors and senior management staffs were further enhanced, so as to ensure legitimacy of the Company's operations.

2. Improve level of financial management and internal auditing:

In respect of the improvement of financial management, besides the strengthening of the internal control, the report on important issues and the control on information delivery, the Company also arranged conversations between the auditing accountants and the Independent Directors and the external shareholder supervisors to talk about the Company's present situation and problems; invited auditing accountants to attend the Board meeting without voting rights as necessary for communicate and maintained interactive communication with the accountants in business to ensure the timely improvement of problems and deficiencies.

In respect of the improvement of the internal auditing, the auditing department send specific person to follow up the verification of the standard operation of the financial work. The auditing results were feed backed in time to the departments verified, the Board of Directors and senior management staffs. To the deficiencies, the financial departments were required to correct and improve, thereby enhanced and guaranteed the truth of the financial information and protected effectively the interests of the medium and small shareholders of the listed companies.

3. Decrease support of related companies to the Company in business and technology

Thought constant efforts and improvement for several years, as at the year 2009, business transaction occurred between the Company and related parties, such as Tsann Kuen (Taiwan) Enterprise Co., Ltd., Tsann Kuen Japan Corporation and Xiamen Shengming Electronic Co., Ltd., showed a significant decrease trend. While the subsequent related transactions between the Company and the controlling shareholder shall be continuously controlled within reasonable scopes.

The Company, strictly in the light of Company Law, Securities Law and requirements of regulatory documents related with the corporate governance of the listed companies and issued by CSRC, shall continue to perfect its corporate governance structure, actively strengthen and deeply carry out its corporate governance, further perfect its corporate governance and internal control system in order to step up their efforts to supervise and inspect internal control, improve operation efficiency, normative operation and corporate governance level.

(II). Performance of Independent Directors

In the report period, the Company has established and perfected relevant working system for Independent Directors in line with the requirements, including *Working System for Independent Directors* and *Annual Report Working System for Independent Directors*. The independent directors of the Company fully performed their duties strictly in accordance with *Code of Corporate Governance for Listed Companies in China*, *Guiding Opinions on the Establishment of Independent Director System in Listed Companies* and relevant working systems, and attended the Board meetings and shareholders' general meetings of the Company on time, concerned the operation of the Company, financial status and corporate governance structure, communicated with auditors and accountants through conversations to learn the problems existed in the Company, and requested the management team to rectify and deal with such problems in time. Meanwhile, independent directors also urged the accountants to issue annual audit report in time in the light of auditing time-schedule arrangement for the purpose of ensuring disclosure of annual report on time. The independent director carefully investigated and discussed such matters as capital current, external guarantee and related transactions between the Company and related parties, as well as self-appraisal report for internal control, and expressed the objective and independent opinions. At the Board meetings, three independent directors developed their professional knowledge without influence from the Company's controlling shareholder and actual controller to deliberately make vote to all proposals and actively gave reasonable advice and suggestions, which had a positive effect on the scientific and objective decision made by the Board of Directors and played an important role to safeguard the legal rights and interests of medium- and small shareholders.

1. Particulars about independent directors attending the Board meeting

Name	Times of meetings should be attended	Times of attendance in person	Times of commission attendance	Times of absence
Xu Rentang	5	5	0	0
Lu Jianxin	5	5	0	0
Ge Xiaoping	5	5	0	0

2. There was no objection proposed by Independent Directors in the reporting period.

(III). The Company was separated from the controlling shareholder in business, personnel, assets, organization and financing.

1. In aspect of business:

The Company was gradually independent from the controlling shareholder in the respect of business, set up absolute and integrated business system and self-operation capability, which made the Company become an independent corporation facing the market.

2. In aspect of personnel:

01. The Company was absolutely independent in labor, personnel and salary management. The Company's office place and production & operation place was separated from the controlling shareholder without mix operation or handling official affairs jointly.

02. There was no intervention on decision-making of engagement or dismissal of personnel by controlling shareholder of the Company.

3. In aspect of assets:

The Company separated assets from the controlling shareholder, operated respectively and independently. The Company owned independent production system, auxiliary production system and accessories system. Intangible assets as industrial property right, trademarks and other non-patent technology were independently owned by the Company.

4. In respect of financing:

01. The Company had independent financial department and accounting department, and established a set of independent and integrated accounting system and financial management system.

02. The Company independently made financial decision; there was no situation that the controlling shareholder intervened in the use of the Company's capital.

03. The Company opened independent bank accounts, there was no situation that the Company deposited capital into the bank accounts of the principal shareholder or financial company controlled by other related parties or accounts of settlement center.

04. The Company paid the tax independently according to law.

(IV). Establishment and Perfection of internal control of the Company

In order to further advance standardization of the corporate governance and enhance the Company's operation level, in the light of regulations of laws and rules such as Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, the Company formulated or amended a series of the rules and regulations in succession, such as the Articles of Association of the Company, Rules of Procedure for the Shareholders' General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Measures for Investor Relations Management, Information Disclosure Management Bylaws of Listed Company and Measures for the Management on Use of the Raised Capital.

In accordance with the requirements of CSRC, the Company drafted Management System for Inside Information and Insider in time for the purpose of firmly putting a stop to the behaviors that the insiders or external information users utilized the Company's inside information to buy and sell the shares of the Company. At the same time, the Company also drew up the Accountability System for Material Error in Annual Report Information Disclosure to further enhance quality and transparency of annual report information disclosure.

In pursuance of the Company's actual operations and management mode, the internal control had been carried out in them deeply. At first, all rules and regulations and rules of procedure of the Company have been drawn up in accordance with the law with the relative perfect contents, each operation procedure has laws to rely on. Moreover, the Company, in 2009, revised and perfected the top ten revolving internal control system and internal auditing system through overall process of the Company's business, including (1) sales and collection cycles, (2) purchase and paying cycles, (3) production cycles, (4) payroll cycles, (5) financing cycles, (6) fixed assets cycles, (7) investment cycles, (8) electronic computer management cycles, (9) R&D cycles, and (10) Management control cycles, which were examined and approved by the Board of Directors on 12 Dec. 2009 and disclosed, so as to further strengthen guiding direction to implementation of internal control.

Through the perfection and fulfillment of the system, the Company's integrated operations was standardized in the round. Upon this basis, the Company shall draft or timely perfect some relevant internal control system due to economic development and continual update of laws and regulations, so as to enhance operation management level and risk prevention capacity.

The auditing department is in charge of internal self-inspection and self-correcting campaign, and reflected oversight of internal control to relevant departments in time and made track till completion of perfection. Furthermore, the auditing department made an initial annual auditing plan to launch audit work for performance of internal control system in line with risk appraisal, also, carried out special project reviews in the light of operation campaigns or influence from risk change at all times, and periodically made auditing report on performance of internal control to directors, supervisors and senior management staffs at the Board meetings. Meanwhile, the auditing department adopted quantification assessment scoring system for auditing items, and scoring result was linked together performance appraisal of each department and relevant leaders, so as to achieve internal supervision. For details, please refer to Self-appraisal Report on Internal Control that was disclosed with the Annual Report at the same time.

Opinions produced by the Independent Directors concerning self-appraisal report on the internal control of the Company for year 2009:

In accordance with requirement of Circular on Properly Handling the 2009 Annual Report of Listed Companies from Shenzhen Stock Exchange, as the Independent Directors of Tsann Kuen (China) Enterprise Co., Ltd (hereinafter referred to as “the Company”), we carefully read Self-appraisal Report 2009 on Internal Control of the Company submitted by the Board of Directors, communicated with the management team and the administrative Department, referred to administrative system of the Company, and expressed the following opinion based on position of independent judgment:

1. The internal control system of the Company corresponded to the regulations of the country and requirements of the China securities regulatory ministry and also fit the current actual situation of production of the Company.
2. The internal control measures of the Company played a good role in all processes and aspects of enterprise management.
3. Self-appraisal Report 2009 on Internal Control of the Company objectively reflected actual status of internal control of the Company, roundly summarized internal control and identified goal for the strengthening of the internal control.
4. Self-appraisal Report 2009 on Internal Control of the Company accorded with the actual situation of the Company’s internal control.

Independent director: Xu Rentang, Lu Jianxin, Ge Xiaoping
27 Feb. 2010

(V) The performance appraisal and incentive mechanism of Senior Management Staffs

The Company appraised the performance of Senior Management Staffs according to the relevant guideline and standard, of which the results were recorded into personal file and combined with personal treatment and engagement.

VI. Brief for Shareholders' General Meeting

Particulars about the Annual Shareholders' General Meeting and Extraordinary Shareholders' General Meeting held in the reporting period:

1. Annual Shareholders' General Meeting

The Annual Shareholders' General Meeting 2008 of the Company was held on 16 May 2009;

Resolutions made at the Shareholders' General Meeting were published in Securities Times and Hong Kong Ta Kung Pao on 19 May 2009.

VII. Report of the Board of Directors

(I) Operation review of the Company in the report period

The international financial crisis in the report period caused a lot of economic difficulties. In the face of the complex and uncertain economic environment, as well as other unfavorable conditions, the Company stuck to the strategic objectives (focusing on the main business, improving the operation management, and expanding new markets) formulated by the management at the beginning of the year, and adopted the principle of "to increase cash and profit" as the highest guiding principle. The Company encouraged technological and product innovation, strengthened the globalized production and marketing capability, and promoted the combination of production and purchase, as well as the combination of R&D and marketing. Meanwhile, it also improved its internal control system, created competitive edges from R&D to the cost of the marketing system, and realized the steady development of various businesses of the Company. Based on the actual condition of the Company, the management adjusted the product mix, actively expanded new domestic and overseas markets to minimize the risk of centralized markets, and deeply studied the food cultures and consumption habits in the new markets. In addition, the Company conducted product and technological innovation to satisfy different needs of customers. The Company also expanded its bid-inviting purchase of materials and invited more supporting spare parts factories, so as to achieve a quick cut of cost and make the Company more competitive in the market.

In the report period, the Company achieved an operation income of RMB 2,749 million, a year-on-year decrease of 32.01%; an operation cost of RMB 2,369 million, down by 35.81% compared with last year; a gross profit rate of 13.66%, up by 5.05% over last year; a net profit of RMB 53 million, increased by 24.03% over last year; a liability ratio from 69.54% at the end of 2008 to 64.41% at the end of 2009. The operation income decreased over last year due to the impact of the adverse international economic environment. However, the overall gross profit rate and the net profit both registered a significant rise because the Company conducted control over the net profit of orders, optimized the production management and the cost control, improved on the product quality and the delivery dates, and received the export tax refunds. And the Company thus stabilized its performance and optimized its financial structure.

1. Main businesses and their operation situations

A. Classified according to industries and products

Unit: RMB 0'000

Industry	Product	Main business income	Main business profit
Manufacturing small home appliances	Home assistant	96,112.11	8,469.26
	Gourmet cooking	138,415.29	22,665.35
	Tea/coffee	30,329.78	3,777.34
	Others	4,040.65	1,135.49
Total		268,897.82	36,047.44

B. Classified according to areas

Unit: RMB 0'000

Area	Main business income	Main business profit
Australia	19,350.45	2,803.60
Africa	1,729.78	272.21
America	124,362.60	18,655.61
Europe	47,676.03	4,535.58
Asia	75,778.96	9,780.44
Total	268,897.82	36,047.44

C. Products which contributed over 10% of the main business income

Unit: RMB 0'000

Product	Proportion	Main business income	Cost of sales	Gross profit ratio
Home assistant	35.74%	96,112.11	87,642.85	8.81%
Gourmet cooking	51.48%	138,415.29	115,749.94	16.37%
Tea/coffee	11.28%	30,329.78	26,552.44	12.45%
Others	1.50%	4,040.65	2,905.16	28.10%
Total	100.00%	268,897.82	232,850.38	13.41%

2. Chief customers and suppliers

01. The purchase from the top five suppliers totaled RMB 349,870,600, taking up 23.61% of the Company's total purchase in the year.

02. The sales to the top five customers totaled RMB 1,341,032,075.52, taking up 48.78% of the Company's total sales.

3. During the report period, considerable changes occurred in the asset composition and expenses compared with last year.

Unit: (RMB) Yuan

Item	Note	Year 2009 (Yuan)	Year 2008 (Yuan)	Increase/decrease (%)	Main Reason for changes
Monetary capital	V.1	632,274,671.72	416,506,274.82	51.80%	The Company paid off bank loans last year.
Prepayments	V.5	4,382,912.72	8,910,798.94	-50.81%	Some prepayments for materials last year were paid in the report period.
Other receivables	V.6	14,853,085.85	28,986,324.35	-48.76%	The Company received the returned guarantee deposits and export tax refunds.
Financial assets available for sale	V.8	293,630.40	109,771.20	167.49%	The equities of Shanghai Join Buy Co., Ltd. that were not controlled, jointly controlled or had a significant influence belonged to the item of financial assets available for sale. And the difference between the fair value and book value of such equities was included in the capital reserve.
Long-term receivables	V.9	99,661,083.56	68,487,888.93	45.52%	The amount receivable from selling fixed assets to supporting manufacturers was collected by installments.
Fixed assets	V.12	519,670,147.89	764,092,618.51	-31.99%	Some fixed assets were sold to supporting manufacturers.
Construction in progress	V.13	4,656,021.02	3,424,340.41	35.97%	Decoration of the new factory.

Item	Note	Year 2009 (Yuan)	Year 2008 (Yuan)	Increase/decrease (%)	Main Reason for changes
Long-term deferred expenses	V.16	1,294,834.29	872,772.88	48.36%	Star Travel expenses were paid in this year.
Deferred income tax assets	V.17	30,706,491.08	22,678,901.17	35.40%	Increase of deductible losses
Notes payable	V.19	56,370,310.39	177,596,760.89	-68.26%	The tools for payment were changed to more domestic letters of credit.
Accounts received in advance	V.21	14,680,017.93	21,452,230.01	-31.57%	Some accounts received in advance were settled.
Other payables	V.24	256,531,703.89	396,253,973.13	-35.26%	The mature borrowing of USD 17 million was repaid to the controlling shareholder.
Long-term borrowings due within one year	V.25	68,282,000.00	-	100.00%	The item of long-term borrowings due within one year was reclassified.
Long-term borrowings	V.26	-	68,346,000.00	-100.00%	
Deferred income tax liabilities	V.17	296,143.90	636,428.64	-53.47%	The unrealized exchanges last year were realized in the report period.
Business income	V.32	2,749,406,200.90	4,043,631,270.32	-32.01%	Affected by the financial crisis, the business income was down by 32.01% compared to that of last year. And the relevant items also decreased.
Business cost	V.32	2,369,319,121.45	3,691,668,347.52	-35.82%	
Administrative expenses		206,274,087.95	156,849,327.36	31.51%	Expenses on R&D were increased.
Financial expenses	V.34	-1,665,252.84	3,165,132.88	-152.61%	The bank loans were decreased and the exchange earning increased.
Asset impairment loss	V.35	28,717,706.82	45,451,147.60	-36.82%	The asset impairment loss withdrawn last year was turned back.
Investment income	V.37	-4,196,256.85	32,890,904.12	-112.76%	This year saw a loss arising from the settled forward exchanges.
Non-business expenses	V.39	3,015,284.35	16,727,807.69	-81.97%	Last year witnessed a donation to victims of the Wenchuan Earthquake and a loss from asset disposal. And there was no such event this year.
Income tax expense	V.40	-7,109,678.08	1,628,720.24	-536.52%	The deductible temporary difference arising from the loss recovery was recognized as deferred income tax assets.

4. Operational situations of main controlled subsidiaries and joint stock companies of the Company

01. Tsann Kuen China (Shanghai) Enterprise Ltd.

A. Business Nature: manufacturing

B. Major Products and Services: Production of household appliances, electronic, light industry products, modern office equipments and their related modules, various kinds of computers and their related facilities or spare parts. Development of computer software, IC packing and testing; sale of their own products (the export of which was not restricted by any requirements involving licenses and quotas; Where a license is required, such a license should be obtained before operation.)

C. Registered Capital: USD 40,000,000

D. Assets Scale: RMB 102,770,000

E. Net Assets: RMB 100,780,000

F. Net Profit: RMB -6,030,000

02. Tsann Kuen Zhangzhou Enterprise Co., Ltd.

A. Business Nature: Manufacturing

B. Major Products and Services: Development, production and sale of small household electrical appliances, new kind of electronic appliances and parts (such as electrical kits, sensors and sensitive transmitters), light industrial products, modern office supplies; designing and producing the molds related to the above products. Processing and manufacturing nonferrous metal composed materials, new-typed alloy materials, marketing self-made products and semi-manufactured products, processing supplied materials and processing with supplied materials or given samples & assembling supplied components. (Excluding those products restricted by the government or those whose import or export quota is under license administration. Wholesale of various kinds of small house appliance (When involved in those projects which need to be examined and approved first, the company carries out its operation and production only within the range and within the valid period set in the license.)

C. Registered Capital: USD 160,000,000

D. Assets Scale: RMB 2,403,300,000

E. Net Assets: RMB 1,246,240,000

F. Net Profit: RMB 85,750,000

G. The influence of net profit exceeded 10%:

Main business income: RMB 2,662,920,000

Main business Cost: RMB 2,313,980,000

03. Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.

A. Business Nature: Manufacturing

B. Major Products and Services: Development, production and sale of small household electrical appliances, new kind of electronic appliances and parts (such as electrical kits, sensors and sensitive transmitters), light industrial products, modern office supplies; designing and producing the molds related to the above products. (Excluding those products restricted by the government or those whose import or export quota is under license administration.) (When involved in those projects which need to be examined and approved first according to the laws and regulations, the company will do its business only after it has obtained the license).

C. Registered Capital: USD 5,000,000

D. Assets Scale: RMB 11,680,000

E. Net Assets: RMB 10,920,000

F. Net Profit: RMB -380,000

04. Tsann Kuen (Zhangzhou) Vocational Technical Institute

- A. Business Nature: Education and training
- B. Business Scope: Secondary vocational education
- C. Registered Capital: RMB 3,000,000
- D. Assets Scale: RMB 4,990,000
- E. Net Assets: RMB 2,300,000
- F. Net Profit: RMB -280,000

05. Eupa (Hong Kong) Co., Ltd.

- A. Business Nature: Comprehensive
- B. Business Scope: Trade orders, agent stocking, R&D of small household appliances, investment and market research.
- C. Registered Capital: USD 2,900,000
- D. Assets Scale: RMB 8,680,000
- E. Net Assets: RMB 6,330,000
- F. Net Profit: RMB 830,000

06. Shanghai Star Travel Commerce & Trade Co., Ltd.

- A. Business Nature: Sales of household electrical appliances
- B. Business Scope: Importing, Wholesaling, retail and its follow-up service of household appliances, computer sets and their attachments, communication materials, motor and electric equipments, office supplies and the related attachments (including kitchen facilities). Self-operating and acting as an agent of various kinds of merchandise and import & export of technology; wholesale and retail of roasted coffee powder and general merchandise, as well as other sales (not real foods). (Where an administrative license is required, such a license will be obtained before operation.)
- C. Registered Capital: RMB 5,000,000
- D. Assets Scale: RMB 31,850,000
- E. Net Assets: RMB 6,820,000
- F. Net Profit: RMB 1,460,000

07. STAR TRAVEL INTERNATIONAL (XIAMEN) CO.,LTD (STIX)

- A. Business Nature: Tourism
- B. Business Scope: inbound and domestic tourist services.
- C. Registered Capital: RMB 5,000,000
- D. Assets Scale: RMB 4,980,000
- E. Net Assets: RMB 2,920,000
- F. Net Profit: RMB -2,080,000

08. Xiamen Star Travel Commerce & Trade Co., Ltd.

- A. Business Nature: Sale of household appliances
- B. Business Scope: Wholesale and retail: daily necessities, household appliances, computer sets and auxiliary products, communication equipments, electrical and mechanical equipments, office supplies, kitchen supplies and their auxiliary products; import and export of various goods and technologies.
- C. Registered Capital: RMB 9,000,000
- D. Assets Scale: RMB 8,300,000
- E. Net Assets: RMB 8,230,000
- F. Net Profit: RMB -770,000

09. Shanghai Fanxin Airlines Service Co., Ltd.

- A. Business Nature: Ticket agent
- B. Business Scope: Ticket agent service in passenger transportation of civil aviation for domestic routes, excluding HK, Macau and Taiwan routes.
- C. Registered Capital: RMB 1,500,000
- D. Assets Scale: RMB 1,260,000
- E. Net Assets: RMB 1,050,000
- F. Net Profit: RMB -160,000

10. STAR TRAVEL INTERNATIONAL (DALIAN) CO.,LTD (STID)

- A. Business Nature: Tourism
- B. Business Scope: inbound and outbound travel services; domestic travel service; R&D and sales of tourism products.
- C. Registered Capital: RMB 2,800,000
- D. Assets Scale: RMB 1,960,000
- E. Net Assets: RMB 1,680,000
- F. Net Profit: RMB -330,000

11. Xiamen Jinyuan Airlines Service Co., Ltd.

- A. Business Nature: Ticket agent
- B. Business Scope: Ticket agent service (in passenger transportation of civil aviation for domestic routes, excluding HK, Macau and Taiwan routes).
- C. Registered Capital: RMB 1,500,000
- D. Assets Scale: RMB 1,080,000
- E. Net Assets: RMB 1,080,000
- F. Net Profit: RMB -50,000

(II) Future perspectives of the Company

Ever since its step into the industry of small household appliances, the Company has been sticking to the principle of “with R&D as the core, customers’ needs as the direction, new techniques and production process as the methods, to increase added values of products, and to strengthen the product vitality and competitiveness”. Meanwhile, the Company pays attention to its technological progress, strengthens its basic studies and new technological development, and promotes the innovation and core technologies, as well as the system integration. In the year 2010, the Company will expand its market by means of the following strategies:

1. Strategy to enlarge the market share of the Company: The Company has expanded its market share by product innovations and setting up the high-end brand Tiziana. And the Company will strengthen its R&D input every year, with the purpose of producing more intelligent, mini, environment-protected and handy, as well as the purpose of increasing the competitiveness of the Company. And the product innovations of the Company were seen by the government, with the help of which the Company obtained the title of state-level high-tech enterprise and the title of enterprise technological center recognized by the state in the year 2009.

2. Strategy to create new markets:

The George Roasters series designed by the Company embody the best functions, value and appearance of the Company’s products, which hit a global sale of 9.57 million units in the year 2009 and created a new consumption market. Meanwhile, inspired by the capsule structure of the coffee encapsulating machines, the Company creates the healthy tea bag series and the flour capsule series. In this way, the Company expanded the product functions and its domestic and overseas markets.

The Company conducts a differential management over products, and more of its efforts are put to core patents

and customer needs. In the year 2009, the Company has obtained 93 patents, with 13 patents of invention, which represent the core competitiveness of the Company.

The international financial crisis in the report period has caused a lot of economic difficulties. In the face of the complex and uncertain economic environment, as well as other unfavorable conditions, the Company will strengthen the patent product layout, introduce patent products for VIP customers, constantly encourage technological and product innovation, create new markets, strengthen global production and marketing capability, and set up diversified enterprise units; stick to independent management, strengthen the combination of production and purchase, R&D and marketing, improve internal control and create competitive edges from R&D to the cost of marketing system. The various businesses of the Company are expected to see a steady development in the year 2010 with the business objective of USD 500 million in the year.

(III) Development trends in the industry and market perspectives

The industry of household appliances is expected to witness a better year in 2010 than in 2009, mainly due to the following reasons:

1. The domestic market remains strong. The ten moves of the Chinese government to further expand domestic demand and promote economic growth with RMB 4,000 billion will surely encourage the deepened application in all sectors; The Proposal of Central Committee of CPC on Formulating 11th Five-year Plan of National Economy and Social Development puts forward that the international competitiveness of the household appliance industry must be strengthened through independent innovations, which shows a clear direction for the development of the small household appliance industry and will surely encourage the further update of the sector. To sum up, the domestic marketing is growing rapidly.
2. The markets of the American and European countries are gradually recovering.
3. Due to the increase of the export tax refund rate in China, it will be easier for the overseas sales of household appliances.

The medium and small household appliance sector enjoys a bright future prospect and export takes a leading position in the small household appliance sector. Along with the improvement of people's living standards and the rising attention on small household appliances, various personalized products will appear in the small household appliance market to satisfy the growing needs of people. At present, the majority of small household appliances in China suffer a low prevalence rate, which stay in the introduction stage to the market. Meanwhile, the life cycle of small household appliance is usually only 3-5 years. And they have to be updated at a fast pace to keep up with the constant needs of customers to change their small household appliances. Driven by the rising prevalence rate and the product upgrade, a steadily growing sale of small household appliances is expected. And in the coming years, the sales of small household appliance is expected to continue to grow.

4. Intelligent green small household appliances will go towards seriation and scale production.

Along with stricter and stricter environment standards in the international market, the government introduces a series of power efficiency standards, which forcefully promote the prevalence of energy-saving products through price reforms, tax policies, etc.. The energy-saving and environment protecting small household appliances thus become the general trend. Manufacturers in the trade is thus required not only to pay attention to environment protection and energy conservation in terms of raw materials, but also to develop new technologies and techniques to optimize the green small household appliance industry chain from manufacturing, products to services and realize seriation and scale production in the sector.

(IV) Plan of capital expense

According to its development strategy planning, the Company will input more in high-tech products such as new energy, high-efficiency and environment-protecting household appliances. And RMB 30 million is expected to be

needed in the year 2010 for the production capacity expansion in the aforesaid fields.

(V) Main risks faced by the Company in the future development

1. International risk

Affected by the financial crisis, the year 2009 witnessed a sharp decrease of orders in the overseas market. And the trend is not expected to be able to turn around in a short period, which will have an influence on the overall sales growth of the Company. Therefore, the Company will accelerate expansion of new products and markets so as to promote the overall sales scale.

2. Domestic risk

Due to the adverse global economy, domestic enterprises, in one hand, shift their development focus to the domestic market. And on the other, overseas enterprises become to realize the importance of China market and also put it as a strategic point. As a result, the competition will be fiercer in the domestic market. Along with the development of the domestic production, the household appliance sector of China is now at the stage of significant industrial integration. Because it is easier to enter the small household appliance sector, the famous enterprises with great financial strength have a bigger opportunity to win in the competition and become an integrator of the sector. And those small household appliance enterprises with weak strength will face severe challenges. The Company will make best use of its advantages in the international household appliance sector, develop products suitable to the actual condition of China, and increase the profit of the Company.

3. Risk of price fluctuation of raw materials

Since Jun. 2009, the prices of raw materials such as aluminum have been on the rise due to the monetary policy. And this rising trend is expected to continue for a period in 2010. Therefore, the Company will adjust its purchase strategies of main materials and at the same time optimize its supplier structure, so as to keep the purchase prices of raw materials always under the average market prices. In this way, the Company will be able to cut its production cost and increase the net profit.

4. Risk of higher labor cost and shortage of labor force

Economic recovery makes enterprises to increase employment; The total economic volume of the middle and west region of China begin to increase quickly; The low salary and welfare level no more attracts agricultural workers; The government is increasing input to the rural area; The government is also encouraging farmers to find jobs in the local areas. Due to the aforesaid reasons and other reasons, the coastal area in the southeast part of China is experiencing a serious lack of labor force.

(VI) Investment of the Company

1. Use of the raised funds in the report period

01. Apart from the 40,000,000 shares of outbound funds raised in 1993, the Company had not filed any application to raise funds during the period from 1994 to 1998, and there was no case of the utilization of the raised funds being extended till after 1998.

02. The plan to issue additional 50 million B-shares and to use the fund raised from that was passed in the Shareholders' Meeting 1999, and on July 7, 2000 the application for issuing B-shares was approved by CSRC. After that, the related application documents were sent to CSRC for approval after they had been passed in the shareholders' meeting held on the date of June 2, 2001, but till now no feedback of them has been received.

2. Use of non-raised funds in the report period: None

(VII) Routine work of the Board of Directors

1. Board meetings in the report period and resolutions made at the meetings

01. The 1st Meeting of the Board of Directors in 2009 was convened on 7 Mar. 2009, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 10 Mar. 2009.

02. The 2nd Meeting of the Board of Directors in 2009 was convened on 11 Apr. 2009, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 14 Apr. 2009.

03. The 3rd Meeting of the Board of Directors in 2009 was convened on 1 Aug. 2009, at which the Semi-annual Report 2009 and its Summary were reviewed and approved.

04. The 4th Meeting of the Board of Directors in 2009 was convened on 17 Oct. 2009, at which the Third Quarterly Report 2009 and its Summary were reviewed and approved.

05. The 5th Meeting of the Board of Directors in 2009 was convened on 12 Dec. 2009, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 15 Dec. 2009.

2. Execution on resolutions of the Shareholders' General Meeting by the Board of Directors (including execution on items authorized by the Shareholders' General Meeting, the profit distribution plan, the plan of capitalizing public reserve, the share allotment plan, the new shares offering plan, and other plans in the report period)

01. The Company gained a profit in 2009, which was used to make up for the loss of the previous years. Therefore, the Company did not conduct profit distribution in the year. And there was no event of share allotment or new share offering in the report period.

02. Amending the Company's Articles of Association

The Company amended its Articles of Association last year according to the requirements of the Decisions of CSRC on Amending Some Provisions on Cash Dividends by Listed Companies (CSRC Order 【2008】 No.57), specifying the Company's policy on cash dividends and making it conform to laws, regulations and rules.

03. Making up losses

On 16 May 2009, the Company convened the 2008 Shareholders' General Meeting, at which the plan of using the profit in 2008 to cover the loss of the previous years put forward by the 1st Meeting of the Board of Directors was reviewed and approved. And the execution of the loss recovery plan has been accomplished according to the resolutions made at the Shareholders' General Meeting.

3. Report on the performance of the Audit Committee under the Board of Directors

Since the Audit Committee under the Board of Directors was set up on 24 May 2008, the Company, according to relevant regulations, quickly formulated related rules for the Committee such as the Specific Implementation Rules for Audit Committee and the Rules for Audit Committee on Annual Reports, which specified the duties of the Audit Committee; According to the relevant rules, the Audit Committee took an active part in and supervised the financial activities, the internal examination of the Company, and audited the periodical reports, etc.. And the performance of the Audit Committee in 2009 was detailed as follows:

01. The 1st Meeting of the Audit Committee in 2009 was convened on 7 Mar. 2009, at which the following proposals were reviewed and approved:

Proposal No.1: Self-evaluation Report on Internal Control 2008

Proposal No.2: 2008 Annual Report and its Summary

Proposal No.3: 2008 Final Financial Report

Proposal No.4: Proposal on Not Distributing Profit of Year 2008

Proposal No.5: Proposal on Estimated Routine Related Transactions in 2009

Proposal No.6: Summary Report on Audit Work Performed by Reanda Certified Public Accountants in Year 2009

Proposal No.7: Proposal on Renewing Engagement of Reanda Certified Public Accountants

02. The 2nd Meeting of the Audit Committee in 2009 was convened on 11 Apr. 2009, at which the following proposals were reviewed and approved:

Proposal No.1: First Quarterly Report 2009 and its Summary

Proposal No.2: Proposal on Amending Articles of Association of the Company

03. The 3rd Meeting of the Audit Committee in 2009 was convened on 1 Aug. 2009, at which the Semi-annual Report 2009 and its Summary were reviewed and approved.

04. The 4th Meeting of the Audit Committee in 2009 was convened on 17 Oct. 2009, at which the Third Quarterly Report 2009 and its Summary were reviewed and approved.

05. The 5th Meeting of the Audit Committee in 2009 was convened on 12 Dec. 2009, at which the following proposals were reviewed and approved:

Proposal No.1: Examination Plan for Year 2010

Proposal No.2: Proposal on Amending Internal Control and Management Methods

Proposal No.3: Proposal on Internal Control Rules—One of the Company's Ten Cycles

Proposal No.4: Proposal on Internal Examination Rules—One of the Company's Ten Cycles

06. The Audit Committee conducted a comprehensive examination on the Company's audit work in 2009, which was detailed as follows:

(1) Supervision of the audit performed by the CPAs firm

The Audit Committee communicated with the certified public accountants on the audit schedule for the Annual Report 2009 for the first time on 17 Oct. 2009, and both parties came to a consensus on the audit schedule; On 11 Dec. 2009, the Audit Committee communicated with the accountants for the second time. On both meetings of communication, the Audit Committee asked the CPAs firm to issue the Auditor's Report as scheduled. If any problem arose in the audit process, the CPAs firm should communicate in a timely way with the Audit Committee and the accounting department of the Company, so as to ensure that the audit would be accomplished smoothly. The certified public accountants admitted the memos of the two communication meetings by signing on them and sending them back. On 5 Feb. 2010, the annual audit came to an end. And the Audit Committee conducted the third communication meeting on the annual audit with the accountants; the accountants expressed again that they would issue the annual Auditor's Report according to the audit schedule.

Through the three communication meetings, it was seen that the accountants paid much attention to and adopted an active attitude in the annual audit and that they finished their job in total compliance with the audit plan for the annual report. Considering that Reanda Certified Public Accountants was able to conduct the annual audit in strict compliance with the audit schedule, the Audit Committee did not issue any urging letter.

(2) Audit Opinion of the Audit Committee on the Financial Report

A. On 4 Jan. 2010, we reviewed the financial statements submitted by the Accounting Department of the Company, including the balance sheet as at 31 Dec. 2009, the income statement, statement of changes in shareholders' equity and cash flow statement as of the year 2009. According to the Enterprises Accounting Standards of China promulgated by the Ministry of Finance on 15 Feb. 2006 and relevant financial rules of the Company, we focused on the authenticity and completeness of accounting information, and whether the preparation of financial statement strictly accorded with relevant regulations and rules. We never found any fateful abnormality in the un-audited Financial Report 2009, or any capital occupation by major shareholders and subsidiary companies for non-operational reasons, or any external guarantee violating regulations or abnormal related transaction after we inquired related financial officers and management staff, consulted meeting minutes of shareholders' meetings, supervisory committee, the Board of Directors, relevant committees, relevant accounting book and vouchers. We thus agreed to submit the statements to Reanda Certified Public Accountants engaged by the Company for audit.

B. Opinion on the Financial Report after the preliminary audit opinion being issued by the CPAs firm

We have audited the financial statements submitted by the Accounting Department on 23 Feb. 2010, which was issued the preliminary audit opinion on by the certified public accountants, including the balance sheet as at 31 Dec. 2009, income statement, statement of changes in equity and cash flow statement for the year then ended. According to the Enterprises Accounting Standards of China promulgated by the Ministry of Finance on 15 Feb. 2006 and relevant regulations on financial system of the Company, we focused on authenticity and completeness of accounting information, whether the preparation of financial statement strictly accorded with regulations and addendum items after balance sheet date. After communication on primary audit opinion with certified public accountants and supplementary consulting relevant account book and vouchers, we considered that: we agreed to keep the audit opinion for the first time and considered that the Company handled addendum items after balance sheet date strictly according to new enterprise accounting standards. The financial statements were prepared according to the new enterprise accounting standards, the Rule No.15 on Preparing Information to Be Disclosed by Companies Issuing Stock to Public—General Requirements for Financial Reports (Revised in 2010) and relevant financial rules of the Company. The certified public accountants conducted their audit in accordance with independent auditing standards. And the Auditor's Report issued fairly reflected operation results and financial status of the Company in 2009 in all material respects.

(3) Summary Report on Reanda Certified Public Accountants engaging in audit of the Company in this year

Audit Committee have audited Audit Plan of 2009 submitted by Accounting Department 17 Oct. 2009, fully communicated with person in charge of audit of Reanda Certified Public Accountants on the aforesaid work plan and came to consensus. We considered that the plan was detailed and identified responsibility, which would ensure the successful completeness of audit of 2009.

Auditor from Reanda Certified Public Accountants audited financial statement 2009 twice and made an inventory of 2009 in accordance with audit plan: (a). on preliminary audit on financial statement from January to November, they arranged 12 persons and worked for 45 days in November and December; (b). on annual audit 2009, they arranged 9 persons and worked for 35 days; (c). on annual inventory, they arranged 10 and worked for 3 days. Audit of 2009 totaled 83 days. Person in charge of the project communicated with the Audit Committee and the Company continuously and fully on accounting work discovered in audit and need to be perfected, which made both parties deeply realized particulars about operation, financial management and application and implementation of new enterprise accounting standards and supplied more mature judgment for the fair audit conclusion issued by certified public accountants. During audit period, all members of the Audit Committee show great concern on problems discovered in progress of audit and communicated on the following points by phone and interview:

- a. Whether all the transactions recorded, whether the transaction was true and whether the information was integrated;
- b. Whether the financial statement prepared in accordance with requirements of new enterprise accounting standards and securities regulatory administration and regulations stipulated in financial system;
- c. Whether the annual inventory actualized successfully, the conclusion whether fully reflected quality of assets;
- d. Particulars about abidance of laws, provisions, other external requirements and policy, prescription of managements and internal requirements;
- e. Whether the internal accounting control system of the Company was perfect;
- f. Whether every department worked in certified public accountants to get sufficient and appropriate evidence.

The certified public accountants actively affirmed the above questions and issued audit report with standard unqualified opinion on 27 Feb. 2010.

We considered that certifies public accountants carried out audit strictly in accordance with regulations stipulated

in Independent Auditing Criterion for CPA, audit time was enough, scheme of auditor was reasonable and they are capable, the financial statement fully reflected financial status as of 31 Dec. 2009 and operation results and cash flow in 2009, the audit conclusion accorded with actual situation of the Company.

(4) Resolution on reengagement certified public accountants in 2009

The 1st Meeting of the Audit Committee 2010 was held on 27 Feb. 2010, and all members unanimously approved the following resolutions:

- a. Summary report on Reanda Certified Public Accountants engaging in audit of the Company in this year
- b. Proposal on reengagement Reanda Certified Public Accountants as audit unit of the Company 2010 in view of it being audit unit of the Company from 2006 to 2009 and the spirit of capability, diligence and duteous showed in audit work of 2009.
- c. Payment for audit 2010 to Reanda Certified Public Accountants

The above resolution should submit to the 1st Meeting of the Board of Directors 2010 for approval.

In general, the Audit Committee was responsible, abided by professional principle of independent, external and fair and completed all works entrusted by the Board of Directors.

4. Performance report of Remuneration & Appraisal Committee of the Board of Directors:

(1) On 7 Mar. 2009, the 1st Meeting of Remuneration & Appraisal Committee for 2009 was held. Remuneration & Appraisal Committee verified remuneration of directors, supervisors and senior managements disclosed in Annual Report 2008 after carefully checked production and operating achievements actually realized in 2008, and issued written verification opinion, which has been disclosed in Annual Report 2008.

(2) On 1 Aug. 2009, the 2nd Meeting of Remuneration & Appraisal Committee for 2009 was held. The Committee heard work report on performance appraisal of the Company in the first half year of 2009 from Personnel Department, and deeply learned operating performance of the Company in the first half year of 2009.

(3) Lu Jianxin and Xu Rentang, convener of Remuneration & Appraisal Committee, heard report on production & operation of the Company in 2009 and process of significant events from General Manager Tang Qiongshan and Accounting Manager Chen Zongyi on 5 Feb., then attended communication meeting on Annual Report audit between Audit Committee and CPA, seriously heard audit report from CPA, and deeply knew production & operation and financial status of the Company in 2009.

(4) On 27 Feb. 2010, verified remuneration of directors, supervisors and senior managements disclosed in Annual Report 2009 after carefully checked production and operating achievements actually realized in 2009, and issued written verification opinion, which considered that remuneration of directors, supervisors and senior managements accorded with relevant resolution on the Shareholders' Meeting and the Meeting of the Board of Directors and relevant remuneration management system, remuneration of directors, supervisors and senior managements disclosed in Interim Report 2009 strictly carried out the remuneration management system and performance appraisal measure, and the remuneration of directors, supervisors and senior managements disclosed in Annual Report 2009 was authentic, reasonable and integrated.

5. Management system on anyone possess insider information

In order to eliminate stock trading using the insider information, protect minority shareholders' reasonable right to learn truth and create fair capital market, the Company duly constituted Management System in Insider Information and Insider when strengthened management on insider information, which has been reviewed & approved by the Board Meeting, then disclosed on 27 Feb. 2010, meanwhile, strictly execute register and file system of insider information and insider.

VIII. Report of Supervisory Committee

(I). Particulars of the Meeting of Supervisory Committee

1. The 1st Meeting of Supervisory Committee 2009 was held on 7 Mar. 2009, on which reviewed and approved the following resolutions:

Proposal 1: work report of supervisory committee 2008;

Proposal 2: Self-evaluation report on internal control of the Company 2008;

Proposal 3: Annual Report 2008 and summary of annual report;

2. The 2nd Meeting of Supervisory Committee 2009 was held on 11 Apr. 2009, on which reviewed and approved the 1st quarterly report 2009 and summary of quarterly report.

3. The 3rd Meeting of Supervisory Committee 2009 was held on 1 Aug. 2009, on which approved the Interim Report 2009 and summary of interim report 2009.

4. The 4th Meeting of Supervisory Committee 2009 was held on 17 Oct. 2009, on which reviewed and approved the 3rd quarterly report 2009 and summary of quarterly report.

(II) Independent opinion issued by Supervisory Committee

After monitoring and considering on the whole operation 2008, the Supervisory Committee issued independent opinion as follows:

1. Operation particulars of the Company in accordance with laws: the deciding procedure accords with laws. The Company has set up perfect internal controlling system, and Directors, GMs of the Company have violated neither law, regulation, article of the associations nor company benefit, when they execute task of the Company;

2. Particulars of financial checking of the Company: the financial report of the Company actually reflects the financial status and operation results of the Company;

3. The Company have not raised fund from capital market since the first listing in 1993;

4. Prices of assets purchase and assets sale transaction in the Company are reasonable. There are neither exist low-down transactions nor damage part shareholders' equity or assets of the Company;

5. The associated transactions of the Company are fair, which can not damage the benefits of the Company and shareholders.

6. The Preplan of profit distribution or capitalization of capital public reserve for the year 2009 made by the Board of Directors

Particulars about the cash bonus distribution of the Company over the past three years

Unit: (RMB) Yuan

Year	Amount of cash bonus (tax included)	Net profit attributable to owners of parent company under the consolidated statements	Ratio in net profit attributable to owners of parent company under the consolidated statements	Distributable profit for the year
2008	-	42,536,200.29	-	-
2007	-	67,119,750.63	-	-
2006	-	-825,302,803.72	-	-
The proportion of the accumulative cash bonus in the past three years in the latest average annual net profit			0.00%	

The Company did not appropriate profit distribution preplan in cash though the Company achieved a profit in the report period

Applicable Inapplicable

IX. Significant Events

(I) Significant litigation or arbitration

There was no significant litigation or arbitration in the report period.

(II) Shareholding of other listed companies

Unit: RMB Yuan

Securities code	Name of securities	Initial investment amount	Proportion of shareholding	Book value at the end of report period	Profit & loss in the report period	Change of owner's equity in the report period	Subject of accounting calculation	Resource of share
600838	Shanghai Jiubai	30,700.00	0.01	293,630.40	0.00	140,247.33	Financial assets available for sale	Corporation share
Total		30,700.00		293,630.40	0.00	140,247.33		

(III) Significant purchase or disposal of assets and acquisition or merge during the report period

In order to take advantage of professional score of self-research & development, design and sales, Tsann Kuen Zhangzhou Enterprise Co. Ltd, share controlling subsidiary of the Company, decreased proportion of self-manufacture, brought accessory factories to Tsann Industrial Park, which supplied more professional accessories in the park, reduced cost, therefore, improved the general market competition of Tsann; reduced occupation of fixed assets, promoted turnover of total assets and ensured stable and continuous development of operation of the Company. Object of the transaction neither were related parties, trading price based on net value of assets and referred to price of same or similar kind of equipment. The final transaction price of transaction object was higher than book value after negotiation, which never damaged equity of minority shareholders; there was no influence on continuity of business or stability of management.

For details please refer to Public Notice on Sales of Parts Operation Assets of Accessory Factory of Share Controlling Subsidiary Zhangzhou Tsann Kuen and Public Notice on Explanation on Progress of Sales of Parts Operation Assets of Accessory Factory of Share Controlling Subsidiary Zhangzhou Tsann Kuen and New Assets for Sale, which was published on Securities Times, HK Ta Kung Pao and [http:// www.cninfo.com.cn](http://www.cninfo.com.cn) respectively on 29 Jul. 2008, 21 Jan. 2009 and 28 Apr. 2009.

(IV) Significant related transaction

- All transactions were priced according to Pricing Agreement for Related Companies' Transaction, which has been approved by Xiamen Tax Bureau. It follows principle of fair transaction.
- Way of payment abided by contracts signed by both parties.
- Explanation on necessity and persistence of related transactions: enhance efficiency of upright integration in the group, develop unified purchase, reach cost cutting intension and enhance its market share through advantage grasping global countries of related enterprises.
- Related transaction due to joint investment of the Company and related party: none
- Occupation and repayment of non-operating capital by controlling shareholder and related party: Naught

(VI) Significant guarantee

Unit: RMB'0000

External guarantee from the Company (excluding the guarantee for subsidiaries)						
Guarantee party	Date of transaction (date of signature)	Amount for guarantee	Type of guarantee	Duration of guarantee	Executed or not	For the related party or not
Total guarantee amount in the report period						Naught
Total guarantee balance at the end of the report period						Naught
Guarantee for the subsidiaries of the Company						
Total guarantee amount for the subsidiaries in the report period						100,739.20
Total guarantee balance for the subsidiaries at the end of the report period						42,523.00

Total guarantee amount of the Company (including the guarantee for the subsidiaries)	
Total guarantee amount	42,523.00
The proportion of the total guarantee amount in the net asset of the Company	107.23%
Including:	
Guarantee amount offered to shareholders, actual controllers and related parties	Naught
Guarantee amount for debt offered to the guarantee party whose asset-liability ratio was over 70% directly or indirectly	Naught
Part of the amount of the total guarantee over 50%	22,694.73
Total guarantee for the above	22,694.73
Explanation on joint liability of liquidation due to immature guarantee	Naught

Special Explanation and Independent Opinion on Significant Guarantee of Year 2009 from independent directors

According to Notice of CSRC Concerning Some Issue on Regulating the Funds Between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (ZJF [2003] No.56), Circular of CSRC and CBRC on Regulating the External Guaranties Provided by Listed Companies (ZJF [2005] No.120) and "Explanation of CSRC on Execution Concerning ZJF [2005] No.120 Text (SSBH [2006] No.25). As the independent directors of TSANN KUEN (XIAMEN) ENTERPRISE CO. LTD, we have seriously and thoroughly checked situation of external guarantee and expressed the independent opinions on the related issues as follows:

Special explanation from independent directors:

In 2008, the listed company guaranteed RMB 1,007,390,000 for holding subsidiary company namely Zhangzhou Tsann Kuen Enterprise Co., Ltd with guarantee balance of RMB 425,230,000. There was no other external guarantee of the Company and holding subsidiaries in the reporting period.

Opinion from Independent Directors:

Although the Company supplied guarantee to absolute holding subsidiary company, and the holding subsidiary company supplied guarantee to listed company. The listed company and the holding subsidiary company should abide by Notice of CSRC Concerning Some Issue on Regulating the Funds Between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (ZJF [2003] No.56) which required the guaranteed parties continue to adopt practical and efficient measures to gradually decrease the guarantee amount and the contingent liabilities risk. If the guarantee to outside parties happened later, the Company and the holding subsidiary company should strictly abide by Circular of CSRC and CBRC on Regulating the External Guaranties Provided by Listed Companies(ZJF [2005] No.120) and "Explanation of CSRC on Execution Concerning ZJF [2005] No.120 Text (SSBH [2006] No.25) and implement necessary procedures.

Besides, the Company and the holding subsidiary company who supplied the guarantee would focus on feasible planning to protect shareholders' equity in case of financial difficulty occurred.

Any material information which impact financial structure will be disclosed on time to protect the minority interests of shareholders.

Independent director: Xu Rentang, Lu Jianxin, Ge Xiaoping

Feb. 27, 2010

(VI) Investment on derivative products

As a listed company, the Company has not been engaged in derivatives investment. And this derivatives investment deal was conducted by the Company's holding subsidiary—Zhangzhou Tsann Kuen Enterprise Co., Ltd.—in order to avoid foreign exchange risks, which involved buying and selling derivative financial products such as forward exchange and forward purchase/sale of foreign currency.

Zhangzhou Tsann Kuen Enterprise Co., Ltd., the Company's holding subsidiary, established the Management Procedures for Trading Derivative Financial Products after the Procedures was approved by the Board Meeting on 6 Mar. 2008.

1. Derivatives investment table

<p>Analysis on risks and control measures of derivative products held in the report period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)</p>	<p>1. Analysis on risks from holding of derivative products: gains or losses from difference between contracted exchange rate and market exchange rate on value date. 2. Control measures: (1) Principle: total amount of whole contracted derivative financial commodities will not exceed sum of net position (net position: total foreign currency assets- total foreign currency liabilities) of current assets liabilities plus net position arising from business of the Company in the next 6 months. (2) Separation of post: separation of post of trader, dealer and authorization. (3) Normalization of procedure: trader should offer sufficient market information and risks to people who was authorized, clarify possible risks, consider feasibility of transaction when sign the contract, and complete derivative financial commodities trade with authorization. Documents referring to contract trade need examination of legal affairs ministry, and the dealer will requested to be authorized when complete business transaction. (4) Periodic evaluation: The Company kept an eye on the profit and loss from the fair value changes of the derivative by checking daily/(monthly) the difference between the estimated exchange rate (provided by the bank)*the undue contracted amount and the currency amount when bought in. (5) Loss limit: contracted losses mustn't exceed 6% of total trading amount. (6) Audit system: Audit ministry audits derivative audit trade of derivative financial products periodically and submit audit report.</p>
<p>Changes of market prices or fair values in the report period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.</p>	<p>(1) Gains and losses effected by completed transaction amount of derivative products was RMB 1.59 million, and loss from undelivered transaction was RMB 4.15 million in the report period; (2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month; (3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.</p>
<p>Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the report period compared to the previous report period</p>	<p>There were no significant changes between the Company's accounting policy and specific accounting principles of derivatives in the report period and those in the last report period.</p>
<p>Specific opinion from independent directors, sponsors or financial consultants on the Company's derivatives investment and risk control</p>	<p>Investment on derivative products, which was operated by Zhangzhou Tsann Kuen, controlling subsidiary of the Company, was performance of signed contract. Then they will execute the examination and review procedure of the Board Meeting or Shareholder's Meeting in accordance with regulations and execute obligation of information disclosure in time.</p>

2. Holding of derivative investment at the end of reporting period

Unit: RMB'0000

Type of contract	Beginning contract amount	Closing contract amount	Gain or loss in the report period (RMB 0'000)	Proportion of the closing contract amount in the closing net assets of the Company (%)
Forward foreign exchange trade	-	3,396.60	146.32	8.57%
Forward transaction	-	13,661.90	12.55	34.45%
Total	-	17,058.50	158.87	43.02%

(VII) Execution of the committed events by the shareholders holding more than 5% of shares of the Company

EUPA INDUSTRY CORPORATION LIMITED (hereinafter referred to as "Hong Kong EUPA"), the shareholder of the Company, gradually decreased part of the held shares of the Company since Apr. 2007, and the gains from disposal of shares mentioned in Simple Equity Changes Report respectively disclosed on Oct. 10, 2007 and Dec. 6, 2007 would be used to support the operating capital of the Company.

Owing to the business main body of the Company transferring to Zhangzhou Tsann Kuen Enterprise Co., Ltd, the subsidiary of the Company, part of the capital on disposal of shares of Hong Kong EUPA was used to support the working capital of Zhangzhou Tsann Kuen. According to the resolutions on increasing capital of Zhangzhou Tsann Kuen decided by the Company and three major corporate shareholders in Mar. 2007, Hong Kong EUPA should increase capital of USD 12 million as the sum on disposal of shares for increase capital was settle off in Jun. 2007. Based on the business demand and authorized by State Administration of Foreign Exchange, Zhangzhou Tsann Kuen borrowed USD 33 million from Hong Kong EUPA as external debt before Apr. 2008. By 5 Jan. 2010, Zhangzhou Tsann Kuen has returned all borrowings to Hong Kong EUPA.

(VIII) Proposal on reengagement of Reanda Certified Public Accountants

The Company planned to engage Reanda Certified Public Accountants which qualify for related business in securities and futures to audit the accounting statements and supply other related consultant services with term of one year. Reanda Certified Public Accountants had served for the Company for 4 years.

(IX) Contingencies

1. Contingent liabilities from and pending action or arbitration and financial influence

Zhangzhou Tsann Kuen, subsidiary of the Company, and Longhai Chaoda Industrial Co., Ltd (hereinafter refer to as "Chaoda") has signed Cooperation Framework Agreement, Agreement on Transfer and Lease of Working Assets etc. on 12 Apr. 2008, on which contracted that Zhangzhou Tsann Kuen would purchase products from Chaoda; meanwhile, it contracted that Chaoda would purchase and lease equipment from Zhangzhou Tsann Kuen, and will hired workshop of Zhangzhou Tsann Kuen which locate Longchi Development Zone to put in production.

On 3 Nov. 2009, Chaoda sued to Fujian Zhangzhou Intermediate People's Court, claimed to eliminate agreement on purchase & sales and lease, and claimed Zhangzhou Tsann Kuen returned payment for equipment transfer and rent totaling RMB 8,174,960; and requested the court to judge that Zhangzhou Tsann Kuen compensate its loss totaling RMB 12.6 million and return deposit of RMB 200,0000. Object of the two cases totaled RMB 20,974,960.

Zhangzhou Tsann Kuen requested the court to dismiss all the claims except for protest against violation of Longda. Meanwhile, Zhangzhou Tsann Kuen appealed counterclaim and requested Longda pay balance of RMB 4,042,110.00 for equipment transfer.

As for the report day, Zhangzhou Intermediate People's Court is in progress of hear, and there was no result yet.

2. Up to the report day, there was no need to disclose contingent liabilities from guarantee for other units or financial influence.

3. Other contingent liabilities and financial influence.

Zhangzhou Tsann Kuen, subsidiary of the Company, and some supporting manufacturers signed agreement on purchase of raw materials and parts & accessories with the bottom amount. The agreement stimulated that the balance would return to manufactures with discount on purchase in case that the actual purchase amount was lower than the bottom amount. Up to the balance sheet date, Zhangzhou Tsann Kuen and some of supporting manufacturers signed supplementary agreement on exemption, and withdrew accrued liabilities totaling RMB 1,618,986.20 for supporting manufacturers who had not sign agreement on exemption yet according to agreement.

TKC's Coffee Grinder, which was supplied to Starbucks (Chinese name is called “星巴克”) by subsidiary of the Company Zhangzhou Tsann Kuen during 2002 to 2008, was called back due to complaint from customers of Starbucks. After negotiation Starbucks and U.S. consumer Product Safety Commission (hereinafter referred to as “CPSC”) agreed to callback by goods replacement. The traders has placed an order with Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. (a subsidiary under controlled by the Company, hereinafter referred to as “TKZ”) for 40,000-set coffee grinders in the light of the quantity declared by the consumers. TKZ has been delivered 36,000-set finished products in Sep. 2009, and caused loss of RMB 1,180,400. Up to the report day, neither there was new order, nor did the trader require the residual sets of 4,000. It forecasted that the 4,000 sets would cause loss about RMB 130,000.

(X) Reception of investigation and interview of the Company in the report period

In the report period, according to Guidelines on Fair Information Disclosure of Listed Companies, the Company and the persons charged with the information disclosure strictly followed the principle of fair information disclosure, didn't conduct treatment difference policy, neither did they disclose important information of the Company which didn't publish to any particular object privately by choice in the process of investigation and visit acceptance. The details were as follows:

Reception time	Reception place	Reception way	Reception object	Major discussion content and the information provided by the Company
9 Jan.2009	Office of the Company	By telephone	Mr. Zhang	Operation status of the Company
15 Jan. 2009	Office of the Company	By telephone	Mr. Zhou	Operation status of the Company
13 Feb. 2009	Office of the Company	By telephone	Ms. Lin	Operation status of the Company
16 Feb. 2009	Office of the Company	By telephone	Ms. Chen	Operation status of the Company
18 Feb. 2009	Office of the Company	By telephone	Mr. Luo	Date of annual report disclosure
18 Feb. 2009	Office of the Company	By telephone	Mr. Liu	Operation status of the Company
25 Feb. 2009	Office of the Company	By telephone	Mr. Wang	Date of annual report disclosure
2 Mar. 2009	Office of the Company	By telephone	Mr. Chen	Operation status of the Company
11 Mar. 2009	Office of the Company	By telephone	Mr. Cai	Operation status of the Company
11 Mar. 2009	Office of the Company	By telephone	Mr. Li	Operation status of the Company
13 Mar. 2009	Office of the Company	By telephone	Mr. Huang	Operation status of the Company
19 Mar. 2009	Office of the Company	By telephone	Ms. Gao	Operation status of the Company
27 Mar. 2009	Office of the Company	By telephone	Mr. Lin	Operation status of the Company
10 Apr. 2009	Office of the Company	By telephone	Mr. Tang	Operation status of the Company
10 Apr. 2009	Office of the Company	By telephone	Mr. He	Operation status of the Company
16 Apr. 2009	Office of the Company	By telephone	Mr. Tang	Operation status of the Company
5 May 2009	Office of the Company	By telephone	Mr. Feng	Operation status of the Company

Reception time	Reception place	Reception way	Reception object	Major discussion content and the information provided by the Company
13 May 2009	Office of the Company	By telephone	Mr. Xie	Operation status of the Company
8 Jun. 2009	Office of the Company	By telephone	Ms. Li	Operation status of the Company
9 Jul. 2009	Office of the Company	By telephone	Mr. Liu	Operation status of the Company
8 Sep. 2009	Office of the Company	By telephone	Mr. Ding	Operation status of the Company
14 Oct. 2009	Office of the Company	By telephone	Mr. Xiong	Operation status of the Company
23 Nov. 2009	Office of the Company	By telephone	Miss Fang	Operation status of the Company
30 Nov. 2009	Office of the Company	By telephone	Fund Manager Hong Ruozhen and Assitant He Peishi from Value Partners Group Limited	Operation status of the Company

X. Financial Report (attached)

(I) Audit Report

(II) Financial Statement

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

XI. Document Available for Reference

(I) The Financial statements with signatures and seals of the legal representative, person in charge of accounting work, person in charge of accounting organization.

(II) Originals of audit report with the seal of the certified public accountants and the seal and signature of CPA.

(III) All the company's documents and announcement originals that were publicly disclosed during the report period on the newspapers nominated by CSRC.

(IV) Articles of Association

(V) Location of documents: secretariats of the Board

TSANN KUEN (CHINA) ENTERPRISE CO., LTD

The chairman of the Board: Jian Derong

27 Feb. 2010

Auditors' Report

REANDA SHEN ZI [2010] No. 1103

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

We have audited the accompanying financial statements of Tsann Kuen (China) Enterprise Co., Ltd. (“the Min Tsann Kuen”), which comprise the balance sheet and the consolidated balance sheet as at December 31, 2009, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and the cash flow statement and the consolidated cash flow statement for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

I . Management’s Responsibility for the Financial Statements

The Company’s management is responsible for the preparation of these financial statements in accordance with the Enterprises Accounting Standards of China. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) making accounting estimates that are reasonable in the circumstances.

II . Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

audit opinion.

III. Audit Opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards promulgated by the People's Republic of China, and present fairly, in all material respects, the financial position of the Min Tsann Kuen as at December 31, 2009, and the results of its operations and its cash flows for the year then ended.

Reanda Certified Public Accountants Co., Ltd.

Certified Public Accountant: Rong Xuemei

Certified Public Accountant: Lin Wanqiang

Beijing, China

February 27, 2010

Tsann Kuen (China) Enterprise Co., Ltd.

Consolidated Balance Sheet (Audited)

As at 31 Dec. 2009

Unit: RMB Yuan

Assets	Notes	2009. 12. 31	2008. 12. 31	Liabilities and Shareholders' equity	Notes	2009. 12. 31	2008. 12. 31
Current Assets:				Current liabilities:			
Cash and cash equivalents	V、1	632,274,671.72	416,506,274.82	Short-term loans			
Held for trading financial assets	V、2	1,588,661.38		Held for trading financial liabilities			
Notes receivable	V、3	5,851,328.67	5,823,544.00	Notes payables	V、19	56,370,310.39	177,596,760.89
Accounts receivable	V、4	389,834,241.91	397,162,581.71	Account payables	V、20	837,178,756.46	754,405,955.98
Advances to suppliers	V、5	4,382,912.72	8,910,798.94	Advances from customers	V、21	14,680,017.93	21,452,230.01
Interests receivable				Payroll payables	V、22	48,929,470.49	48,805,639.01
Dividend receivable				Tax payable	V、23	40,091,138.11	44,278,598.83
Other accounts receivable	V、6	14,853,085.85	28,986,324.35	Interest payables			
Inventories	V、7	350,258,713.95	451,226,252.40	Dividend payables			
Non-current assets due within one year				Other account payables	V、24	256,531,703.89	396,253,973.13
Other current assets				Non-current liabilities due within one year	V、25	68,282,000.00	
Total Current Assets		1,399,043,616.20	1,308,615,776.22	Other current liabilities			
Non-current assets:				Total current liabilities		1,322,063,397.27	1,442,793,157.85
Available-for-sale financial assets	V、8	293,630.40	109,771.20	Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings	V、26		68,346,000.00
Long-term account receivables	V、9	99,661,083.56	68,487,888.93	Bonds payable			
Long-term equity investments	V、10	40,000.00	40,000.00	Long-term account payable			
Investment properties	V、11	33,666,204.47	37,454,887.11	Accrued liabilities	V、27	1,618,986.20	
Fixed assets	V、12	519,670,147.89	764,092,618.51	Deferred income tax liabilities	V、17	296,143.90	636,428.64
Construction in progress	V、13	4,656,021.02	3,424,340.41	Other non-current liabilities	V、28	40,106,220.40	43,400,202.15
Construction materials				Total non-current liabilities		42,021,350.50	112,382,630.79
Liquidation of fixed assets				Total liabilities		1,364,084,747.77	1,555,175,788.64
Production biology assets				Shareholders' equity:			
Oil and gas assets				Share capital	V、29	1,112,350,077.00	1,112,350,077.00
Intangible assets	V、14	27,735,258.23	30,593,459.40	Capital reserve	V、30	125,213,990.83	125,073,743.50
Development expenses				Less: inventory shares			
Goodwill	V、15	996,979.09		Appropriation of reserve fund			
Long-term deferred assets	V、16	1,294,834.29	872,772.88	Surplus reserve			
Deferred income tax assets	V、17	30,706,491.08	22,678,901.17	Appropriation of normal risk provision			
Other non-current assets				Undistributed profits	V、31	(840,347,470.50)	(893,107,158.60)
Total non-current assets		718,720,650.03	927,754,639.61	Exchange difference of foreign currency financial statements translation		(651,220.33)	(539,902.93)
				Equity attributable to the shareholders of parent company		396,565,377.00	343,776,758.97
				Minority interests		357,114,141.46	337,417,868.22
				Total shareholders' equity		753,679,518.46	681,194,627.19
Total assets		2,117,764,266.23	2,236,370,415.83	Total liabilities and shareholders' equity		2,117,764,266.23	2,236,370,415.83

Tsann Kuen (China) Enterprise Co., Ltd.
Consolidated Income Statement (Audited)

As at Dec. 31, 2009

Unit: RMB Yuan

Items	Notes	For the year 2009	For the year 2008
I. Total operating income	V、32	2,749,406,200.90	4,043,631,270.32
Less: Operating cost	V、32	2,369,319,121.45	3,691,668,347.52
Business taxes and surtax	V、33	4,533,762.75	3,957,265.39
Selling expenses		100,398,473.76	115,074,726.80
Administrative expenses		206,274,087.95	156,849,327.36
Financial costs	V、34	(1,665,252.84)	3,165,132.88
Impairment loss of assets	V、35	28,717,706.82	45,451,147.60
Add: gains from the fair value changes (The loss is listed beginning with “-”)	V、36	1,588,661.38	(23,027,900.00)
Investment income (The loss is listed beginning with “-”)	V、37	(4,196,256.85)	32,890,904.12
Including: the investment income from associated and joint ventures enterprises			
II. Operating profit(The loss is listed beginning with “-”)		39,220,705.54	37,328,326.89
Add: non-operating income	V、38	28,350,988.02	36,950,606.84
Less: non-operating expense	V、39	3,015,284.35	16,727,807.69
Including: loss from disposal of non-current assets		1,244,764.83	4,979,524.13
III. Total profits (The loss is listed beginning with “-”)		64,556,409.21	57,551,126.04
Less: income tax expense	V、40	(7,109,678.08)	1,628,720.24
IV. Net profits (the net loss is listed beginning with “-”)		71,666,087.29	55,922,405.80
Net profits attributable to shareholders of the parent company		52,759,688.10	42,536,200.29
Minority interests		18,906,399.19	13,386,205.51
V. Earnings per share	V、41		
Basic earnings per share		0.05	0.04
Diluted earnings per share		0.05	0.04
VI. Other comprehensive gains	V、42	28,929.93	889,157.92
VII. Total comprehensive gains		71,695,017.22	56,811,563.72
Total comprehensive gains attributable to shareholders of the parent company		52,788,618.03	40,596,037.15
Total comprehensive gains attributable to minority shareholders		18,906,399.19	16,215,526.57

Tsann Kuen (China) Enterprise Co., Ltd.
Consolidated Cash Flow Statement (Audited)
For the year 2009

Unit: RMB Yuan

Items	Notes	For the year 2009	For the year 2008
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		2,795,305,228.07	4,208,413,204.33
Refund of taxes and levies		152,906,248.89	131,644,442.71
Cash received related to other operating activities	V、43 (1)	40,665,754.41	136,189,084.05
Subtotal of cash inflow from operating activities		2,988,877,231.37	4,476,246,731.09
Cash paid for goods and services		2,156,033,418.60	3,408,214,851.72
Cash paid to and on behalf of employees		318,180,510.76	435,962,569.24
Payments of taxes and levies		12,019,158.79	24,176,163.46
Cash paid related to other operating activities	V、43 (2)	197,783,286.56	274,436,732.06
Subtotal of cash outflow from operating activities		2,684,016,374.71	4,142,790,316.48
Net cash flow arising from operating activities		304,860,856.66	333,456,414.61
II. Cash flow from investment activities:			
Cash received from investments			
Cash dividends received from investment		7,500.00	35,356,944.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		53,246,740.51	23,093,861.81
Net cash received from disposal of subsidiaries and other business units			1,460,922.79
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		53,254,240.51	59,911,728.60
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		22,622,039.38	57,739,584.68
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other business units		2,255,428.47	
Cash paid related to other investing activities	V、43 (3)	4,150,650.94	
Subtotal of Cash outflow from investing activities		29,028,118.79	57,739,584.68
Net cash flow arising from investing activities		24,226,121.72	2,172,143.92
III. Cash flow from financing activities:			
Cash received from investments		730,000.00	50,000.00
Cash received from loans			
Cash received related to other financing activities	V、43 (4)	160,014,441.59	273,384,000.00
Subtotal of cash inflow from financing activities		160,744,441.59	273,434,000.00
Repayment of loans or debts			576,950,393.84
Cash payments for interest expenses and distribution of dividends or profits		3,226,240.26	22,354,169.51
Cash paid related to other financing activities	V、43 (5)	350,709,600.00	
Subtotal of cash outflow from financing activities		353,935,840.26	599,304,563.35
Net cash flow arising from financing activities		(193,191,398.67)	(325,870,563.35)
IV. Effects on cash and cash equivalents for the change of foreign exchange rates		5,567,779.91	(4,400,782.18)
V. Net increase in cash and cash equivalents		141,463,359.62	5,357,213.00
Add: beginning balance of cash and cash equivalents		399,276,546.68	393,919,333.68
VI. Ending balance of cash and cash equivalents	V、44 (3)	540,739,906.30	399,276,546.68

Tsann Kuen (China) Enterprise Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Audited)
For the year 2009

Unit: RMB Yuan

Items	For the year 2009									
	Equity attributable to the shareholders of parent company							Minority interests	Total shareholders' equity	
	Share capital	Capital reserve	minus: Inventory shares	Reserve Funds	Surplus reserve	Normal risk provision	Undistributed profits			Exchange difference of foreign currency
I. Balance at the end of previous year	1,112,350,077.00	125,073,743.50					(893,107,158.60)	(539,902.93)	337,417,868.22	681,194,627.19
Add: Changes of accounting policies										
Correction of errors in prior years										
Others										
II. Balance at the beginning of the year	1,112,350,077.00	125,073,743.50					(893,107,158.60)	(539,902.93)	337,417,868.22	681,194,627.19
III. Changes in equity in the year		140,247.33					52,759,688.10	(111,317.40)	19,696,273.24	72,484,891.27
(I) Net profit for the year							52,759,688.10		18,906,399.19	71,666,087.29
(II) Other comprehensive gains		140,247.33						(111,317.40)		28,929.93
Sub-total of above (I) and (II)		140,247.33					52,759,688.10	(111,317.40)	18,906,399.19	71,695,017.22
(III) Capital investment by the shareholders									789,874.05	789,874.05
1. Capital investment by shareholders in the year									730,000.00	730,000.00
2. Amount calculated into equity paid in shares										
3. Others									59,874.05	59,874.05
(IV) Profit distribution in the year										
1. Appropriation of surplus reserve										
2. Appropriation of normal risk provision										
3. Distribution to shareholders										
4. Others										
(V) Internal settlement and transfer of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve makes up for the loss										
4. Others										
(VI) Reserve Funds										
1. Appropriated in current year										
2. Used in current year										
IV. Balance at the end of this period	1,112,350,077.00	125,213,990.83					(840,347,470.50)	(651,220.33)	357,114,141.46	753,679,518.46

Tsann Kuen (China) Enterprise Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity (Audited)
For the year 2009

Unit: RMB Yuan

Items	For the year 2008									
	Equity attributable to the shareholders of parent company							Minority interests	Total shareholders' equity	
	Share capital	Capital reserve	minus: Inventory shares	Reserve Funds	Surplus reserve	Normal risk provision	Undistributed profits			Exchange difference of foreign currency
I. Balance at the end of previous year	1,112,350,077.00	126,726,569.01					(935,643,358.89)	(252,565.30)	321,152,341.65	624,333,063.47
Add: Changes of accounting policies										
Correction of errors in prior years										
Others										
II. Balance at the beginning of the year	1,112,350,077.00	126,726,569.01					(935,643,358.89)	(252,565.30)	321,152,341.65	624,333,063.47
III. Changes in equity in the year (the decrease is listed beginning with "-")		(1,652,825.51)					42,536,200.29	(287,337.63)	16,265,526.57	56,861,563.72
(I) Net profit for the year							42,536,200.29		13,386,205.51	55,922,405.80
(II) Other comprehensive gains		(1,652,825.51)						(287,337.63)	2,829,321.06	889,157.92
Sub-total of above (I) and (II)		(1,652,825.51)					42,536,200.29	(287,337.63)	16,215,526.57	56,811,563.72
(III) Capital investment by the shareholders									50,000.00	50,000.00
1. Capital investment by shareholders in the year									50,000.00	50,000.00
2. Amount calculated into equity paid in shares										
3. Others										
(IV) Profit distribution in the year										
1. Appropriation of surplus reserve										
2. Appropriation of normal risk provision										
3. Distribution to shareholders										
4. Others										
(V) Internal settlement and transfer of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve makes up for the loss										
4. Others										
(VI) Reserve Funds										
1. Appropriated in current year										
2. Used in current year										
IV. Balance at the end of this period	1,112,350,077.00	125,073,743.50					(893,107,158.60)	(539,902.93)	337,417,868.22	681,194,627.19

Tsann Kuen (China) Enterprise Co., Ltd.
Balance Sheet (Audited)
As at 31 Dec. 2009

Unit: RMB Yuan

Assets	Notes	2009. 12. 31	2008. 12. 31	Liabilities and Shareholders' equity	Notes	2009. 12. 31	2008. 12. 31
Current Assets:				Current liabilities:			
Cash and cash equivalents		494,441.23	4,939,594.77	Short-term loans			
Held for trading financial assets				Held for trading financial liabilities			
Notes receivable				Notes payables			
Accounts receivable	XI、1		36,375.82	Account payables		1,665,294.11	142,211.99
Advances to suppliers		48,231.48		Advances from customers			
Interests receivable				Payroll payables		113,858.79	111,791.55
Dividend receivable				Tax payable		68,631,609.07	69,208,975.75
Other accounts receivable	XI、2	230,037.15	12,104,980.52	Interest payables			
Inventories				Dividend payables			
Non-current assets due within one year				Other account payables		616,799,841.82	627,777,161.60
Other current assets				Non-current liabilities due within one year			
Total Current Assets		772,709.86	17,080,951.11	Other current liabilities			
Non-current assets:				Total current liabilities		687,210,603.79	697,240,140.89
Available-for-sale financial assets		293,630.40	109,771.20	Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings			
Long-term account receivables				Bonds payable			
Long-term equity investments	XI、3	1,005,105,478.85	1,000,105,478.85	Long-term account payable			
Investment properties		35,507,404.55	43,714,625.57	Grants&Subsidies received			
Fixed assets		19,068,274.15	26,967,210.64	Accrued liabilities			
Construction in progress		3,632,934.04		Deferred income tax liabilities		57,844.69	14,232.82
Construction materials				Other non-current liabilities			
Liquidation of fixed assets				Total non-current liabilities		57,844.69	14,232.82
Production biology assets				Total liabilities		687,268,448.48	697,254,373.71
Oil and gas assets				Shareholders' equity:			
Intangible assets		20,330,648.46	16,643,800.55	Share capital		1,112,350,077.00	1,112,350,077.00
Development expenses				Capital reserve		123,690,267.11	123,550,019.78
Goodwill				Less: inventory shares			
Long-term deferred assets		126,758.11	155,458.15	Appropriation of reserve fund			
Deferred income tax assets				Surplus reserve			
Other non-current assets				Appropriation of normal risk provision			
Total non-current assets		1,084,065,128.56	1,087,696,344.96	Undistributed profits		(838,470,954.17)	(828,377,174.42)
				Total shareholders' equity		397,569,389.94	407,522,922.36
Total assets		1,084,837,838.42	1,104,777,296.07	Total liabilities and shareholders' equity		1,084,837,838.42	1,104,777,296.07

Tsann Kuen (China) Enterprise Co., Ltd.
Income Statement (Audited)
1 Jan. 2009 to 31 Dec. 2009

Unit: RMB Yuan

Items	Notes	For the year 2009	For the year 2008
I. Total operating income	XI、4	5,967,889.27	14,648,939.35
Less: Operating cost	XI、4	5,709,586.31	15,160,832.23
Business taxes and surtax		630,989.61	635,201.05
Selling expenses			
Administrative expenses		6,629,694.32	9,237,468.07
Financial costs		772,830.02	(4,590,956.64)
Impairment loss of assets		3,545,951.14	136,425,699.45
Add: gains from the fair value changes (The loss is listed beginning with “-”)			
Investment income (The loss is listed beginning with “-”)	XI、5	7,500.00	(70,747,992.43)
Including: the investment income from associated and joint ventures enterprises			
II. Operating profit		(11,313,662.13)	(212,967,297.24)
Add: non-operating income		1,233,822.07	13,403,440.99
Less: non-operating expense		13,939.69	818,148.03
Including: loss from disposal of non-current assets			
III. Total profits (The loss is listed beginning with “-”)		(10,093,779.75)	(200,382,004.28)
Less: income tax expense			
IV. Net profits (the net loss is listed beginning with “-”)		(10,093,779.75)	(200,382,004.28)
V. Earnings per share			
Basic earnings per share			
Diluted earnings per share			
VI. Other comprehensive gains		140,247.33	(115,305.12)
VII. Total comprehensive gains		(9,953,532.42)	(200,497,309.40)

Tsann Kuen (China) Enterprise Co., Ltd.
Cash Flow Statement (Audited)
For the year 2009

Unit: RMB Yuan

Items	Notes	For the year 2009	For the year 2008
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		7,434,105.86	6,276,472.17
Refund of taxes and levies		284,154.60	2,387,353.97
Cash received related to other operating activities		9,684,446.74	145,701,318.50
Subtotal of cash inflow from operating activities		17,402,707.20	154,365,144.64
Cash paid for goods and services		2,010,681.25	2,852,939.88
Cash paid to and on behalf of employees		271,954.16	745,692.66
Payments of taxes and levies		1,865,195.20	8,920,520.67
Cash paid related to other operating activities		1,223,897.05	38,453,232.36
Subtotal of cash outflow from operating activities		5,371,727.66	50,972,385.57
Net cash flow arising from operating activities		12,030,979.54	103,392,759.07
II. Cash flow from investment activities:			
Cash received from investments			39,611,023.00
Cash dividends received from investment		7,500.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,503,861.26	9,637,071.77
Net cash received from disposal of subsidiaries and other business units			1,460,922.79
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		1,511,361.26	50,709,017.56
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		3,262,245.81	108,423.00
Cash paid to acquire investments		5,000,000.00	3,473,600.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of Cash outflow from investing activities		8,262,245.81	3,582,023.00
Net cash flow arising from investing activities		(6,750,884.55)	47,126,994.56
III. Cash flow from financing activities:			
Cash received from investments			
Cash received from loans			
Cash received related to other financing activities		265,033,924.93	273,384,000.00
Subtotal of cash inflow from financing activities		265,033,924.93	273,384,000.00
Repayment of loans or debts		278,977,600.00	
Cash payments for interest expenses and distribution of dividends or profits		1,159,667.14	3,300,147.85
Cash paid related to other financing activities			418,828,000.00
Subtotal of cash outflow from financing activities		280,137,267.14	422,128,147.85
Net cash flow arising from financing activities		(15,103,342.21)	(148,744,147.85)
IV. Effects on cash and cash equivalents for the change of foreign exchange rates		5,378,093.68	(558,752.67)
V. Net increase in cash and cash equivalents		(4,445,153.54)	1,216,853.11
Add: beginning balance of cash and cash equivalents		4,939,594.77	3,722,741.66
VI. Ending balance of cash and cash equivalents		494,441.23	4,939,594.77

Tsann Kuen (China) Enterprise Co., Ltd.
Statement of Changes in Shareholders' Equity (Audited)
For the year 2009

Unit: RMB Yuan

Items	Notes	For the year 2009							
		Share capital	Capital reserve	minus: Inventory shares	Reserve Funds	Surplus reserve	Normal risk provision	Undistributed profits	Total shareholders' equity
I. Balance at the end of previous year		1,112,350,077.00	123,550,019.78					(828,377,174.42)	407,522,922.36
Add: Changes of accounting policies									
Correction of errors in prior years									
Others									
II. Balance at the beginning of the year		1,112,350,077.00	123,550,019.78					(828,377,174.42)	407,522,922.36
III. Changes in equity in the year (the decrease is listed beginning with "-")			140,247.33					(10,093,779.75)	(9,953,532.42)
(I) Net profit for the year								(10,093,779.75)	(10,093,779.75)
(II) Other comprehensive gains			140,247.33						140,247.33
Sub-total of above (I) and (II)			140,247.33					(10,093,779.75)	(9,953,532.42)
(III) Capital investment by the shareholders									
1. Capital investment by shareholders in the year									
2. Amount calculated into equity paid in shares									
3. Others									
(IV) Profit distribution in the year									
1. Appropriation of surplus reserve									
2. Appropriation of normal risk provision									
3. Distribution to shareholders									
4. Others									
(V) Internal settlement and transfer of shareholders' equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve makes up for the loss									
4. Others									
(VI) Reserve Funds									
1. Appropriated in current year									
2. Used in current year									
IV. Balance at the end of this period		1,112,350,077.00	123,690,267.11					(838,470,954.17)	397,569,389.94

Tsann Kuen (China) Enterprise Co., Ltd.
Statement of Changes in Shareholders' Equity (Audited)
For the year 2009

Unit: RMB Yuan

Items	Notes	For the year 2008							
		Share capital	Capital reserve	minus: Inventory shares	Reserve Funds	Surplus reserve	Normal risk provision	Undistributed profits	Total shareholders' equity
I. Balance at the end of previous year		1,112,350,077.00	123,665,324.90					(627,995,170.14)	608,020,231.76
Add: Changes of accounting policies									
Correction of errors in prior years									
II. Balance at the beginning of the year		1,112,350,077.00	123,665,324.90					(627,995,170.14)	608,020,231.76
III. Changes in equity in the year (the decrease is listed beginning with "-")			(115,305.12)					(200,382,004.28)	(200,497,309.40)
(I) Net profit for the year								(200,382,004.28)	(200,382,004.28)
(II) Other comprehensive gains			(115,305.12)						(115,305.12)
Sub-total of above (I) and (II)			(115,305.12)					(200,382,004.28)	(200,497,309.40)
(III) Capital investment by the shareholders									
1. Capital investment by shareholders in the year									
2. Amount calculated into equity paid in shares									
3. Others									
(IV) Profit distribution in the year									
1. Appropriation of surplus reserve									
2. Appropriation of normal risk provision									
3. Distribution to shareholders									
4. Others									
(V) Internal settlement and transfer of shareholders' equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve makes up for the loss									
4. Others									
(VI) Reserve Funds									
1. Appropriated in current year									
2. Used in current year									
IV. Balance at the end of this period		1,112,350,077.00	123,550,019.78					(828,377,174.42)	407,522,922.36

Tsann Kuen (China) Enterprise Co. Ltd

Notes to Financial Statements

For the year of 2009

(All amounts are expressed in RMB yuan unless otherwise stated)

I. General

1、 Company History

Tsann Kuen (China) Enterprise Co., Ltd. (“the Company or TKC”) was established in the People’s Republic of China (“the PRC”) in 1988 as a wholly owned foreign investment enterprise, the Company named in Tsann Kuen China (Xiamen) Ltd. firstly, invested by the Fordchee (Hongkong) Co., Ltd , EUPA (Hongkong) Industry Co., Ltd and Hongkong 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 a incorporated company and was renamed as Tsann Kuen (China) Enterprise Co., Ltd. In June 1993, the Company issued 40,000,000 new shares pursuant to an international placing and public offer and these new shares (“B shares”) were then listed on the Shenzhen Stock Exchange on 30 June 1993. Until 31 December 2009, company’s share capital is RMB 1,112,350,077, B shares among the total shares issued on the Shenzhen Stock Exchange.

Follow The Ministry of Commerce of the People’s Republic of China approved (The NO. [2005]3107 《Agreed in principle to the Ministry of Commerce on Industrial Co., Ltd. Xiamen Cankun shares traded sponsor of the approval》), On December 6, 2006, the Company received the [2006] No.266 file 《The notice of Xiamen Tsann Kuen Industrial 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 (62.97% paid in capital of the Company) hold by the company’s shareholders, EUPA (Hong Kong) Limited, Fordchee Development Limited and Fillman Investment Limited to transfer into B shares. In November 29, 2007 these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to December 31, 2009, total B shares hold by the three legal shareholders (EUPA (Hong Kong) Limited, Fordchee Development Limited and Fillman Investment Limited) are 613,215,106 shares.(55.13% paid in capital of the Company).

2、 The industry

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

3、 Scope of business

Company approved business scope: the main business is to develop, manufacture and sell household appliances, electronics, light industrial products, modern office supplies. Those subsidiary’s main business is to manufacture household appliances, electronics, light industrial products, sell products by wholesale, distribution appliances, communication equipment, electrical equipment, office equipment, computer accessories, general merchandise and food; Design, manufacture and sell Precision (Punching) Die, Precision Mold Cavity, and Model Standard Unit, as well as engaged in the research and development of those products.

4、 Main products

The Company’s main products is: Household electrical appliance

5、 Main changes

The Company has no major changes within reporting period.

6、 Changes of share rights

On 1 November 2009, the Company's original shareholder Tsann Kuen Enterprise Co., Ltd divided the long term equity investment(Home appliance department) transfer to Canxing Netcom,INC , that is a new established company invested by Tsann Kuen Enterprise Co., Ltd , Therefore on 1 November 2009 ,the Company's shareholder changed from Tsann Kuen Enterprise Co., Ltd to Canxing Netcom,INC. The Canxing Netcom,INC. through its subsidiaries EUPA (Hong Kong) Limited, Fordchee Development Limited and Fillman Investment Limited to obtained the compny's equity shares.

II. Summary of Significant accounting policies 、 accounting estimates and correct previous accounting period errors

1、 Basis for preparation

The Company and its subsidiaries maintain their accounting record and prepare their statutory financial statement based on the assumption of going concern, recognise and measurement in accordance with the fact and substance of transactions , and according to the < Accounting Standard for Enterprises – Fundamental Standard>, as well as based on those accounting policy and accounting estimate that described in part two of this FS notes.

2、 Declaration of compliance with the Enterprise Accounting Standards

The Company's financial statements prepared follow the requirements of the Enterprises Accounting Standard promulgated by the Ministry of Finance; fairly and completely present the financial position, operation result and cash flows, and other relevant information of the Company.

3、 Accounting Year

The Company employs a period of calendar days from January 1 to December 31 each year as accounting year.

4、 Presentation currency

The Company's presentation currency is Renminbi ("RMB").

5、 Accounting treatment of the business combination that is under the same control and not under the same control.

(1)Accounting treatment of the business combination that is under the same control

Those assets and liabilities obtained by the Company during the business combination should be recognized in the carrying value of the shareholder's equity of the subsidiary on the merger date. The difference between the carrying amount of the net assets obtained and carrying amount of the merger consideration shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(2)Accounting treatment of the business combination that is not under the same control

The consideration paid for the business combination exceeds the acquirer's interest in the fair value of the bargainor's identifiable net assets, the difference shall be recognized as goodwill; Where the cost of combination is less than the acquirer's interest in the fair value of the bargainor's identifiable net assets, should be review the fair value of bargainor's identifiable assets、 liabilities and contingency liabilities , as well as the computation of combination cost, after reassessment, the difference shall be recognized in profit or loss to the current period.

6、Basis of Consolidated Financial Statement

(1) Consolidation Scope

The consolidated financial statements prepared are in accordance with the No. 33 Enterprise Accounting Standards – Consolidated Financial Statement issued in February, 2006. The consolidated financial statements incorporate the financial statements of the Company and enterprises direct controlled or indirect controlled by the Company (“its subsidiaries”). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its operating activities.

If there is evidence provide that the invested company is not control by holding company, the invested company would not in consolidation scope.

(2) Buy and sale the shares of subsidiaries

The effective purchase day and sales day recognized, should has transferred the material risk and reward of ownership of share of subsidiaries. The consolidated income statement and consolidated cash flow statement has included the results of operation and cash flow of subsidiaries(not under the same control) before disposal or after acquired the share; for the subsidiaries under the same control from business combination, the operation results and cash flow has been included in the consolidated income statement and consolidated cash flow statement from beginning of combination period to consolidation date and disclosed in statement individual, the comparative amount in consolidation statement has been adjusted correspond to it.

If the Company acquires minority equity shares of subsidiaries, thus hold the long-term equity investment, on the date of prepare consolidation statement, the difference between the value of the new long-term equity investment and the value of subsidiary’s net assets enjoyed by proportion of shareholdings(begin with acquired date or combination date), shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(3) Adjusted the subsidiaries’financial statement, when the subsidiaries has different accounting policy and reporting period.

If the subsidiaries has different accounting policy and reporting period with the parent company, the consolidated financial statement prepared according to the parent company’s accounting policy ,and adjusted the subsidiaries’ financial statement; For those subsidiaries acquired not under the same control, according to the fair value of identifiable assets、liabilities and contingency liabilities of the subsidiary on the acquisition date, to adjusted subsidiaries’ financial statement.

(4) Consolidation method

All significant intercompany transaction and balances between group enterprises are eliminated on consolidation.

The minority interest would disclosed in consolidation statement alone. Decrease minority interest if the minority shareholders should afford to the loss of the subsidiaries that allocate to minorities, otherwise, the Company would bear the loss of exceed.

7、Standard of cash and cash equivalents

Cash of the Company include the cash in hand and deposits that can pay in any time.

Cash equivalents of the Company include the investments with short term (it usually expires within three months from the purchase date), highly liquidity, easy to convert into known amount of cash, and low-risk of changes in value.

8、 Conversion of foreign currency

(1) Foreign currency transactions

The Company's foreign currency transactions are converted into presentation currency(RMB) at spot exchange rates (Usually refers to the middle rate of the exchange price quotation that announced by the People's bank of China) prevailing on the day in which the transactions take place.

On the balance sheet date, those foreign currency monetary items within the financial statement should be converted at the spot rates prevailing on the balance sheet date. The exchange difference caused by the change in the exchange rate from the initial recognized date and the current balance sheet date, included in profit and loss for the year. With historical cost measurement of foreign currency non-monetary items, the transaction is converted at the spot exchange rate of transaction day, without changing its presentation currency amount. In the fair value measurement of foreign currency non-monetary items, converted at the spot exchange rate at that day when the fair value can be determined, the difference between amount after converted into presentation currency and the original presentation currency amount, as the changes in the fair value, recognized in the current profits and losses.

(2) Conversion of foreign currency financial statement

①Assets and liability items in balance sheet are converted at the spot rates prevailing on the balance sheet date; items in shareholders' equity are converted at the spot rates prevailing on date of transaction except undistributed profit.

②Revenue and expense in income statement are converted at the spot rates prevailing on the transaction date.

The exchange differences caused by above method are disclosure in the shareholders' equity individually.

③Cash flow statement items converted at the spot rates prevailing on the cash flow date. The exchange differences should disclosed individually in the cash flow statement.

9、 Financial Instruments: Recognition and Measurement

(1) Classification of financial assets and financial liabilities

The Company in accordance with the investment purpose and economic substance of the ownership of financial assets are divided into four category, which is fair value through profit or loss; Held-to-maturity investments; Loans and receivables; Available-for-sale financial assets.

According to the economic substance those financial liabilities are divided into fair value through profit or loss and others.

① Financial assets or financial liabilities at fair value through profit or loss: including held for trading financial assets or financial liabilities and designated by the Company as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is:

- a、 Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- b、 Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

c、 A derivative (except for a derivative that is a designated and effective hedging instrument, a derivative of financial guarantee contract, a derivative that settle by equity instrument, which the price of instrument could not be quoted in active market and the fair value could not measure reasonably).

A financial asset or financial liability is classified as designated fair value through profit or loss if it is:

- a、 The designation can be eliminated or significantly reduced the inconsistent situation or relate profit and loss cause by different measurement basis of financial assets and financial liabilities;
- b、 Company risk management or investment strategy has been enshrined in a formal written document that the financial assets portfolio, the financial liabilities portfolio, or the financial assets and financial liabilities portfolio are management in fair value-based and evaluation and report to key management person.

②Held-to-maturity investments: are non-derivative financial assets with fixed or determinable payments and fixed maturity that company has the positive intention and ability to hold to maturity. Mainly include the Company's management has a clear intention and ability to hold to maturity of fixed-rate national bonds, floating-rate corporate bonds.

③Receivables: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables of the Company mainly refer to the Company's sales of goods or rendering of services to form the accounts receivable and other receivables.

④Available-for-sale financial assets: are those non-derivative financial assets that are designated as available for sale at initial recognized, or those financial assets are not measured in fair value based and through to profit and loss, or loans and receivables, or held-to-maturity investments.

⑤Other financial liabilities: financial liabilities not divided into measurement in fair value base and through into profit and loss account.

(2) Measurement of financial assets and financial liabilities

The Company's financial asset or financial liability is recognized at its fair value initially. For financial assets or financial liabilities at fair value through profit or loss, relevant transaction costs that are directly attributable to current profit and loss; for other types of financial assets or financial liabilities, transaction costs related to the amount included in the initial confirmation cost.

Subsequent measurement of financial assets and financial liabilities:

①Financial assets or financial liabilities at fair value through profit or loss measured at its fair value, at balance sheet date, the changed difference of fair value are accounted for profit and loss in current period.

②Held-to-maturity investments, which shall be measured at amortized cost using the effective interest method, the profit or loss of termination confirmation, impairment or amortization included in the profit and loss account.

③Loans and receivables, which shall be measured at amortized cost using the effective interest method, the profit or loss from termination confirmation, impairment or amortization included in the profit and loss account.

④ Available-for-sale financial assets, are measured with fair value, any changes of fair value of available-for-sale financial assets at the end of period are accounted for capital reserve (other capital reserve). Disposal of available-for-sale financial assets, the difference between consideration received and carrying value of the financial assets included into investment profit or loss account; at the same time, turn out the original cumulative amount of fair value change of corresponding part within the equity, included into investment profit or loss account. The impairment losses and Exchange differences of foreign monetary financial assets including into current profit and loss. Interest received and cash dividends received during the hold period are recognized as investment income.

⑤ Other financial liabilities, together with the equity instrument that price not be quoted in active market and the fair value could not measure reasonably measured, as well as the subsequent measurement should according to the cost of derivative financial liabilities.

The financial guarantee contract is not belong to financial liabilities designated by the Company as at fair value through profit or loss, as well as the loan commitment is not belong to financial liabilities designated by the Company as at fair value through profit or loss and belower than market rate, After initial recognition, measured higher of: (1) Amount confirmed by <Enterprise Accounting Standard 13-- Provisions, Contingent Liabilities and Contingent Assets>; (2) Balance of initial recognition amount minus the accumulated amortization refer to <Enterprise Accounting Standard 14—Revenue>.

Other financial liabilities adopt the effective interest method, subsequent measured by amortization cost, recognized the profits and losses by termination confirmation or amortization to current profit and loss account.

⑥ Fair value: It's the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In a fair deal, the transaction should the two sides are continuing operations enterprises, do not intend to carry out the liquidation or a major reduction in scale of operation, or under adverse conditions is still trading. The existence of an active market of financial assets or financial liabilities, the quotation within the active market should be used to determine its fair value. If there is no active market, company should adopt valuation techniques to determine the fair value.

⑦ The amortized cost of a financial asset or financial liability: it's the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial recognized amount and the maturity date amount, and minus any reduction for impairment or unrecoverable.

⑧ The effective interest method: It's a method of using effective interest calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Then calculating the effective interest rate, company shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

(3) Transfers and derecognize of financial assets

① Derecognize financial asset if, and only if, meets one of the following three conditions:

- a、 terminate the contractual rights of cash flows from the financial asset;

b、 the financial assets have been transferred, and the ownership of the risks and rewards of financial assets transferred to other party;

c、 The financial assets have been transferred, but the Company neither transferred the ownership of the risks and rewards of financial assets, nor retained , and gives up control of the financial assets.

②When termination conditions of entire transferred assets has been satisfied, the differences between the amounts of following items shall be recognised in the current period profits and losses account:

a、 The carrying value of transferred financial assets;

b、 The consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders' equities.

③If the transfer of partial financial assets satisfies the conditions of derecognize, the entire book value of the transferred financial asset shall apportion, between the portion whose derecognize and the recognized portion (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose derecognize), be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be accounted for the profits and losses of the current period .

a、 The portion of carrying value derecognized;

b、 The consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders' equities.

④If the Company fails to satisfy the conditions of derecognize for transferred financial assets, it shall continue to recognize the entire financial assets to be transferred and shall recognize the consideration it receives as a financial liability. For those financial assets transfer adopt continuing involvement method, the Company should recognize one financial asset and one financial liability, according to the extent of the transferred financial assets of continuing involvement.

(4) Impairment of financial assets

① If the Company have the following evidence to prove the impairment of financial assets, should recognize the provision of impairment:

a、 significant financial difficulty of the issuer or obligor;

b、 a breach of contract, such as a default or delinquency in interest or principal payments;

c、 the lender, for economic or legal reasons relating to the borrower' s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d、 it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e、 the disappearance of an active market for that financial asset because of financial difficulties;

f、 observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group;

g、 adverse changes in the payment status of borrowers in the group, let the lender may cannot recover the investment cost;

h、 the fair value of financial instrument investment incur serious or non-temporary decline;

i、 other objective evidence that prove impairment of financial assets.

②On balance sheet date, the Company should adopt different impairment test method for different category financial assets, and recognize provision of impairment:

a、Held-to-maturity investments: on the balance sheet date, if there are objective evidence of impairment for the investment, the Company has recognized the impairment loss by the asset' s carrying amount and the present value of estimated future cash flows.

b、 Available-for-sale financial assets: on the balance sheet date, the Company analyse the impairment evidences of the financial assets, experienced judgement whether continuing decline in the fair value. Generally, if the fair value of financial assets incurred serious decline, after consideration of all relevant factors, anticipate this is non-temporary, therefore can identified the available-for-sale financial assets has impaired, should recognize the impairment loss. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in impairment loss account of income statement.

10、 Accounts receivable

(1) Method of provision for bad debts for individual accounts receivable with significant amounts:

At the end of the period, those individual accounts receivable and individual other receivable make up more than 10% (include 10%) is considered as individual significant amounts, One by one to carry out impairment test, if there is objective evidence that the accounts receivable have been impaired, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows.

(2) Method of provision for bad debts for individual accounts receivable with non- significant amounts, but in according to the characteristics of credit risk portfolio, the risk of the portfolio is high:

For other individual the amount of non-significant receivables, classification primarily on the basis of account age, and those accounts receivable's account age more than one year will be classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high, others classified as other non-significant receivables.

For those account receivables classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high, as well as other individual non-significant receivable accounts that not impaired after impairment test, these account receivables will carry out age analysis by the Company and consider the debtor's actual business situation and cash flow to determine the recoverable amount of receivables, a reasonable estimate of bad debts

(3) The Company adopt age analysis method to estimate the following percentage of provision for bad debts:

<u>Age</u>	<u>Percentage of account receivable%</u>	<u>Percentage of other account receivable%</u>
1-90days	0.00	0.00
91-180days	10.00	10.00
181-270days	30.00	30.00
271-360days	50.00	50.00
Over 360days	100.00	100.00

(4) The Company according to the contract agreed date as credit expire date to collect the long-term account receivable, the account age counted after the contract agreed date, and considers the debtor's actual business situation to determine the percentage of provision for bad debts:

<u>Age</u>	<u>Percentage of long-term account receivable%</u>
Not until expire date	0.00
1-60days	10.00
61-120days	30.00
121-180days	50.00
Over 181days	100.00

(5) For other account receivable (including Notes receivable、Advances to suppliers、Interest receivables etc), the provision for bad debts recognized based on the difference of the book values higher than the present value of future cash flows.

(6) Account receivable between the Company and related party do not calculate bad debt provision.

11、Inventory: Recognition and Measurement

(1) Category of inventory:

Inventory of the Company refers to enterprises in the day-to-day activities of the holder for the sale of finished goods or merchandise, product that in the production process, and materials consumed in the production process or provision of services. Including: materials in transit, raw materials, work-in-process, finished goods, entrust processing materials and low-value consumable supplies etc.

(2) Valuation methods of inventories input and output:

The issue of inventories is calculated by the weighted average method. The Company's inventories costs adopt planned cost in the day-to-day accounting, over carrying the cost differences at the ending period, and adjust planned cost to actual cost.

(3) Estimates of net realizable value and method of impairment loss for inventories:

①Estimates of net realizable value: Those stocks used for directly sale, the net realizable value is referred to the estimated selling price minus the estimated selling expenses and related tax and fees in normal operating process. Those stocks need to process; the net realizable value is referred to the estimated selling price minus the estimated finished cost and estimated selling expenses and related tax and fees in normal operating process; the net realizable value of the quantity of inventory held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess is based on general selling prices.

② Impairment loss of inventories: At the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable values are lower than costs, provision for impairment loss of inventories shall be made. Under normal circumstances, the Company provision impairment loss in according to individual inventory items, but for large quantity and low-unit-price inventories, provision for impairment loss of inventories shall be made based on the category of inventories; for those inventories that relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line, their impairment loss provision shall be consolidated.

When the circumstances that previously caused inventories to be written off below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-off is reversed (i.e. the reversal is limited to the amount of the original write-off) so that the new carrying amount is the lower of the cost and the revised net realizable value. The amount reversed recording into current profit and loss.

(4) Inventories stock physical count system: Perpetual inventory method.

(5) Low-value consumable products and wrappage amortization method: amortized at one time.

12、 Long-term Equity Investment

Long-term equity investment including the equity investments held by the Company, who can able to exercise control, joint control or significant influence to the invested entity, or the Company do not have control, joint control or significant influence on the invested entity, and there is no active market quotation, the fair value measurement should not reliable.

(1) Initial measurement

The Company separates the following two cases of long-term equity investment in the initial measurement:

① Long-term equity investment obtained through business combinations:

a、 For obtaining subsidiary under common control, the consideration cost can be cash payment, non-monetary assets transfer or taking over the subsidiary's liability. Under this situation, the initial investment cost is carrying amount of shareholder's equity of the subsidiary on the merger date. The difference between the carrying amount of the net assets obtained and initial investment cost of long-term equity investment shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. In the case of company issues equity securities as the consideration, the initial investment cost is carrying amount of shareholder's equity of the subsidiary on the merger date. If the book value amount of the issued shares is deemed as the capital, the difference between the carrying amount of the issued shares and initial investment cost of long-term equity investment shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. All direct expenses related to the merger, including the auditor fee, evaluation expense, legal service expense, etc will be accrued to the current profit and loss.

b、 For obtaining subsidiary not under common control, the cost of long-term equity investment is fair value of assets paid, liabilities undertaken by the Company, or the fair value of equity bonds issued. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the bargainor's identifiable net assets, the difference shall be recognized as goodwill, Where the cost of combination is less than the acquirer's interest in the fair value of the bargainor's identifiable net assets, after reassessment, the difference shall be recognized in profit or loss for the current period (non-operating income). The costs directly related to business combinations shall be included in the cost of business combinations (except issuing expenses of bonds and equity instruments).

② Other types of long-term equity investment, accordance with the following principles to determine their initial investment costs:

- a、 Long-term equity investment, which is acquired by cash consideration, the actual cash payment amount will be deemed as the initial investment cost. The initial investment cost includes the direct expenses related to the long-term equity investment, taxes and other necessary expenses. But if the actual payment contains cash dividend that has not been received but has been announced, that should be accounted separately.
- b、 Long-term equity investment, which is acquired by issuing equity securities, the fair value of the issued equity will be deemed as the initial investment cost.
- c、 For the long-term equity investment made by the investors, the values agreed in the investment contracts or agreements will be deemed as the initial investment cost, except that the contracts or agreements provide that the values are not fair.
- d、 Long-term equity investment is acquired by exchange of non-monetary assets, if this transaction has commercial substance or the fair values of exchange assets can be reliably measured, the fair values of these assets and relevant taxes will be deemed as the initial investment cost; the difference between the fair values of the assets and book values will be record into the current profit and loss; if the non-currency asset exchange does not satisfy these two conditions mention above, the book values of the assets and relevant taxes will be deemed as the initial investment cost.
- e、 Long-term equity investment, which is acquired by the debt restructuring, the fair values of the obtained equities will be deemed as the initial investment cost; the difference between the initial investment cost and book values of credit will be record into the current profit and loss.

(2) Subsequent Measurement

The cost method is employed to calculate the long-term equity investment of subsidiaries and will be adjusted in accordance with the equity method in the preparation of the consolidated financial statements.

The Company uses cost method for the following conditions: a long-term equity investment where the investing enterprise does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value can't be reliably measured.

The Company uses equity method for the following conditions: a long-term equity investment where the investing enterprise have joint control or significant influence over the investee.

- a、 When using cost method, increase or recovery of investment need to adjust the cost of long term equity investment. Cash dividends or profit distributions declared by the investee shall be recognized as investment income in the current period. However, investment income recognized by the investing enterprise shall be limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividends or distributions received in excess of this amount shall be treated as a recovery of initial investment cost.
- b、 When using equity method, after the investing enterprise has acquired a long-term equity investment, it shall recognize its share of net profits or losses made by the investee as investment income or losses, and adjust the carrying amount of the investment accordingly.

The Company shall recognize current period investment profits or losses following its share of the net profits or losses made by the investee. Base on the investee's book value of net profit, if the investee used inconsistent accounting policies with the Company, the Company shall adjust the net profits by the balances of the depreciation or amortization of the investee's fixed assets and intangible assets measured by fair value on the investment acquired date, as well as adjust the net profits by the balance of the impairment losses of investee's assets measured by fair value on the investment acquired date. Set off the internal transaction

profit and loss between the Company and the joint enterprises or the jointly-run enterprises, and then recognize the investment profit or loss on this basis. The internal transaction profit and loss between the Company and the joint enterprises or the jointly-run enterprises, refer to the < Enterprise Accounting Standard 8: Impairment of assets>, belong to asset impairment loss is recognized in full.

If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognizing its share of further losses, after the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate; If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized, recover investment interests, and in the book value of the long-term equity investment successively.

Those long term equity for affiliated company and joint company, hold before first executive date, if ther is relevant investment debit difference, according to residual time to amortize in straight line method, the amortization amount recognized in current profit and loss account.

(3) Scope of joint control and significant influence for investee

The existence of jointly control by an investor is usually evidenced in one or more of the following ways:①any venturer cannot control the jointly controlled company's operation alone; ②the strategy decision of the jointly controlled company, should be agreed by each venture parties;③the venturers may appoint one of them to manange the jointly controlled company, through control or agreement, but the management must follow all venturers 's financial and operation strategies. When the jointly controlled company during legal reconstruction or bankrupt, or the transfer funds to investors strictly restricted in long time, the venturers cannot exercise joint control to the investee. However, if the joint control is really exist can be certified, the venturers still adopt equity method of long term equity investment principle to account.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:①representation on the board of directors or equivalent governing body of the investee;② participation in policy-making processes, including participation in decisions about dividends or other distributions;③material transactions between the investor and the investee; ④dispatch of managerial personnel; or ⑤provision of essential technical information.

(4) Method of impairment test of long term equity investment and provision for impairment:

On the balance sheet date, the Company shall assess the long term equity investment one by one ,according to the investee's operation strategy、 legal environment、 market demand、 industry and profitability etc, to decide whether there are impairment indicators. The long term equity investment is impaired when its carrying amount exceeds its recoverable amount, the differences should be recognized as provision for impairment. If the impairment loss has recognized, never carry back in future accounting periods.

13、Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings.

(1) Depreciation or amortization method of property investment is measured by cost model:

Property investment is measured by cost model, according to its expected useful life and net residual rate on buildings and land-use right to calculate depreciation or amortization. The Company's expected useful life, net residual rate and annual depreciation rate of investment property as follow:

<u>Categories</u>	<u>Expected residual rate (%)</u>	<u>Expected useful life</u>	<u>Annual depreciation (amortization) rate (%)</u>
Buildings、 structures	10.00	20years	4.50
Land use rights	0.00	20years、 40years、 50years	5.00、 2.50、 2.00

(2) Basis of impairment of property investment is measured by cost model:

At the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable values are lower than costs, provision for impairment loss of property investment shall be made. If the value of the impaired investment property recovered, the provided impairment loss in prior period cannot be carry back.

14、Fixed Asset

(1) **Recognition of fixed assets:**

Fixed assets are tangible assets, held for use in production or supply of goods or services, for rental to others, or for administrative purpose, and have high unit price, as well as useful lives more than one accounting year. Fixed assets shall be recognized by actual costs incurred, if they meet the following conditions:

①The economic benefits related to fixed asset probably flows to the enterprise;

② The cost of fixed asset may be reliably measured.

The expenses relate meet above condition to fixed asset would be capitalized in the cost of asset, if not, it would be recognized as expense in profit and loss account of that period.

(2) The depreciation method of fixed assets

Straight-line method is used to calculate the depreciation of fixed assets.

The estimated useful lives, expected residual value and annual depreciation rate of different kinds of fixed assets are listed as follows:

<u>Category</u>	<u>Estimated residual value rate %</u>	<u>Estimated useful life</u>	<u>Estimated annual depre</u>
Buildings and structures	10.00	20years	4.50
Machineries and equipments,	0.00	11-18years	5.56-9.09
Electronic device, furniture and modules	0.00	6years	16.67
Vehicles	0.00	6years	16.67
Improvement expense of leased fixed assets	0.00	the shorter lease term and beneficial lives	

(3) Method of impairment test and provision for impairment loss of fixed assets:

At the balance sheet date, the Company assess all types of fixed assets whether there is any indication that an asset may be impaired, if any such indication exists, the entity shall estimate the recoverable amount of the asset, reducing the carrying value to the estimated recoverable amount, the difference recognized into the current profit and loss account, simultaneous recognize the provision for impairment. Once the impairment loss has recognized, never carry back in future accounting period.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

- evidence is available of obsolescence or physical damage of an asset;

- significant changes with an adverse effect on the entity have taken place during the period, These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date;

- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. For example: the net cash inflow or realized operating profits(or losses) made by the assets has declined significantly more than would be expected.

Other indications that an asset may be impaired.

(4) Recognition of finance leased fixed assets:

When transferred substantially all the risks and rewards incidental to ownership, the Company recognize the fixed assets of finance lease. At the commencement of the lease term, the Company shall recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned. If there is reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the lease term, however, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

15、 Construction in progress

(1) Category of construction in progress:

The category of construction in progress classified by the approved project.

(2) The standard and time point of the construction in progress transfer to fixed assets:

Construction in progress is transferred to fixed assets when the project is substantially ready for its intended use. The project is in condition of ready for used but not transact in the final account would be transferred to fixed assets in its estimate value, and adjust the value after transact in the final account, but would not adjust depreciated value that have been depreciated.

(3) Method of impairment test and provision for impairment loss of construction in progress:

On the balance sheet date, the Company shall assess the overall construction in progress, If there is evidence provide that the value of project are declined, the entity shall estimate the recoverable amount of the asset, reducing the carrying value to the estimated recoverable amount, the difference recognized into the current profit and loss account, simultaneous recognize the provision for impairment. Once the impairment loss has recognized, never carry back in future accounting period. Exercise impairment test for construction in progress, if meet the one or more the following conditions:

- ① suspend the project in a long time, and according to the estimate, not restart the construction within the next 3years;
- ②evidence is available of obsolescence in either function or technical, and bring great uncertainty for the cash inflows to the Company;
- ③Other indications that project may be impaired.

16、 Borrowing costs

(1) Recognition of capitalization of borrowing costs and capitalization period:

Borrowing costs that are direct attributable to construction, purchase and production of assets and comply with capitalization conditions, shall be capitalized and accounted to costs of relate assets; otherwise, borrowing costs shall be recognized as expenses when incurred and accounted through in profit and loss in current period.

The capitalization of borrowing costs shall satisfy the following conditions:

- ① The capital expenditures have been incurred.

- ② The borrowing costs have been incurred.
- ③ Activities relating to acquisition, construction or production that are necessary to make the assets being intended for use or sales have been launched.

Other borrowing costs, discount or premium and difference of foreign exchange, should be recognized in the current profit and loss account.

Capitalization of borrowing costs shall be suspended during periods in which acquisition, construction or production of assets is interrupted abnormally, and is interrupted for over continuous period of three months.

Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs should be recognised as an expense in the subsequent period.

(2) Measurement of capitalized borrowing costs

For a specific purpose borrowing, the amount of interest to be capitalized shall be the actual interest expenses incurred for the period less deposit interests of the borrowing funds or investment income from the temporary investment.

Where funds are borrowed under general purpose, the entity shall determine the amount of interest to be capitalized by applying capitalization rate to weighted average of the excess amount between cumulative expenditures on the asset and the amount of specific-purpose borrowings. The capitalization rate shall be weighted average of the interest rates applicable to the general-purpose borrowings.

17、 Intangible asset

(1) Recognition and measurement of intangible asset:

Intangible asset are recognize initially at cost.

(2) Estimate of useful life and impairment of intangible assets:

Period of intangible asset that could bring future economic benefit inflow to company could determined reasonably according to the judgment according to reason of contract right or other legal right, condition in same industry, history experience, and demonstrate of expert would be recognize as finite useful life assets. Otherwise, the asset would be recognize as infinite useful life assets.

① To estimate the life of finite useful years asset would consider factor of: a. The life cycle of the product produced by the assets, and the information of similar asset; b. The development of craftwork and technology, and the estimate of future development trend; c. The demand condition in market of the product produced by the asset; d. The estimated action would be taken by competitor or potential competitor; e. The expense expected to maintain the assets to bring future economic benefits and the ability of the Company to pay for it; f. The relevant law restriction on control period of the asset or other similar restriction such as franchise, lease period; g. Relation with other assets' useful life, that hold by the Company.

② The intangible asset with finite useful years should be amortization on a systematic and rational basic according its economic benefit achievement plan. A straight line method would be used if the plan could not define.

(3) Method of impairment test and provision for impairment of infinite useful years asset:

Intangible asset with infinite useful years would not amortize, but would conduct impairment test every year. the useful life of such an asset should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset., if still under uncertainty situation after the revaluation, shall conduct impairment test. When the net recoverable amount lower than the carrying value, reducing the carrying value to the estimated recoverable amount, the difference recognized into the current profit and loss account, simultaneous recognize the provision for impairment. Once the impairment loss has recognized, never carry back in future accounting period..

Exercise impairment test for intangible assets, if meet the one or more the following conditions:

① significant changes with an adverse effect on the profitability of intangible assets have taken place during the period, These changes include the intangible replaced by other new technique;

② The market value has declined in current period, and may not rise in the future residual period;

③ Other indication to prove that the carrying value higher than the recoverable value.

(4) The rules of divide the research stage and the development stage of internal research and developmet project:

Internal organizational research expenses are accounted through profit and loss in current period; development costs which are recognized as intangible assets shall satisfy the following conditions: ① it is technical feasible for use or sales upon the completion of the intangible assets; ② it is intended for use or sales upon the completion of the intangible assets; ③ the manner to provide that expect future economic benefits that are attributable to the intangible assets including a market is exist for the asset or product of the asset or provide evidence of serviceable if asset are inside used; ④ the entity should have enough technology, financial and other resources to support the completion of development, and have ability to use or sale the intangible assets; ⑤ the cost of intangible asset can be measured reliably.

18、 Long-term deferred expenses

The Long-term deferred expenses are defined as those expenses in this year but should be allocated in following few years (more than one year). The amount transfer to the account are the amount actual paid, and allocate equally in beneficial period.

19、 The buyback conditions attached to the transferred assets

The sales and buy back is one of sales mode of the Company, that is means when sale the product, simultaneously agreed to buy back the same or similar product in the future. Under this sales mode, the Company according to the clause of contract or agreement to decide whether the revenue recognition criteria is satisfied. If the entity has not transferred to the buyer the significant risks and rewards of ownership of the goods, the Company should not recognize the revenue; If the buy back price higher than the original sales price, during the buy back period, the Company shall recognize the interest expenses to income statement(financial expenses).

20、Accrued liabilities

(1) Recognize of accrued liabilities:

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

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

Loss contracts and restructuring obligations of the Company meet the above conditions shall be recognized as accrued liabilities.

(2) Measurement of accrued liabilities

Accrued liabilities would be measured initial according to the optimum evaluation of outflow of economic benefit, and the Company perform relate obligation that consider risk, incertitude, time value of currency of contingency factor. Discount future cash flow to present value to determine the optimum evaluation if the time value of currency has great impact. On balance sheet date, check the carry amount of accrued liabilities, and make adjustment to carry amount to reflect the optimum evaluation. The increase amount in carry amount of accrued liabilities cause by time process would be determined as interest fee.

(3) Optimum evaluation of accrued liabilities

If the necessary payments have scopes, the optimum evaluation shall be determined based on the average amount between the upper and lower limit amount of scope ; if the necessary payments do not have such scopes, then the optimum evaluation shall be determined in the following method:

- ①If the contingent event is involved in an individual project, the optimum evaluation amount will be determined base on the most possible amount;
- ②If the contingent event is involved more than one project, the optimum evaluation amount shall be determined base on possible amount and occurrence probability. In case of all or part of payments about the confirmed liquidation liabilities are expected to be compensated by the third parties or other parties, and the compensation amounts are surely received, then such amounts shall be separately recognized as assets. The confirmed compensation amounts shall not exceed book values of confirmed liabilities.

21、Shares-based payment and equity instrument

(1) Category of share-based payment

The types of shares-based payment of the Company are: cash-settle and equity-settle.

①Cash-settled share-based payment

The measurement of cash-settle is according with the fair value of liability undertake by the Company, which is calculated base on the Company's share or other equity instrument.

The value of cash-settle share-based payment that could exercise immediately after award would be reckoned to relate cost or expense, and increase liability corresponds to it.

On each balance sheet date, a best estimated of situation of exercise cash-settled right that with waiting-period should be undertaken, and reckon cost or expense and increase liability which is on the base of service award by the Company, according to the fair value of company's liability.

②Equity-settled share-based payment

The measurement is base on the fair value of the equity instrument granted to employees.

The value of equity-settled payment that could be exercised immediately after award would be reckoned in relates cost and expense and increase capital reserves corresponds to it..

On each balance sheet date, a best estimated of amount of exercise equity-settled that with waiting-period should be undertaken, and reckon in cost or expense and capital reserves which is on the base of service award by the Company, according to the fair value of company's liability.

(2) Determining the fair value of equity instruments granted

① For those shares granted to employees shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, simultaneously, taking into account the terms and conditions (exclude the vesting conditions of external market) upon which those equity instruments were granted.

② For those share options granted to employees, the market prices are not available in most circumstance. If there is no clauses and requirements of others similar trading options, the Company shall estimate the fair value of the share option granted using a valuation technique.

(3) Base of the best estimate of vesting equity instrument' s recognition:

On each balance sheet date of waiting-period, the Company shall recognise an amount for the equity instrument during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

(4) Accounting treatment of share-based payment plan:

1)For cash-settled share-based payment transactions granted vest immediately, reckon cost or expense according to the fair value of the Company's liability on the measurement date, increase liability corresponds to it. At each reporting date and at the date of final settlement, with any change in intrinsic value recognised in profit or loss.

2)If the equity instruments granted do not vest until completes a specified period of service or can be satisfied pre requirement, on each balance sheet date of waiting-period, the Company shall recognise an amount for the equity instrument during the vesting period based on the best available estimate of the number of equity instruments, according to the fair value of the Company's liability, recognize the received services as cost or expense,and increase liability corresponds to it.

3)The value of equity-settled payment that could be exercised immediately after award would be reckoned in relates cost and expense and increase capital reserves corresponds to it..

4) If the equity instruments granted do not vest until completes a specified period of service or can be satisfied pre requirement, on each balance sheet date of waiting-period, the Company shall recognise an amount for the equity instrument during the vesting period based on the best available estimate of the number of equity instruments, according to the fair value on the measurement date., recognize the received services as cost or expense,and increase capital reserve corresponds to it.

22、 Buy back the Company’ s shares:

The Company according to the legal procedures and approval through legal reporting , to decrease the share capital by the shares buy back method, reduce the paid-in capital by the amount of total nominal value of withdrawn shares, the difference between share price paid(including trading expense) and the nominal value shall be adjust the amount of equity, any amount more than the total nominal value, shall reducing the capital reserve(share premium)、 surplus reserve and Undistributed profits successively; any amount lower than the total nominal value, shall increasing the the capital reserve(share premium).

The shares before buy back, as the inventory shares management, the share buy back payment recognized as cost of inventory shares.

If the transfer revenue received higher than the cost of the inventory shares, when transfer the inventory shares, should be increase the capital reserve(share premium); if that revenue received lower than the cost, should be reduce the capital reserve(share premium)、 surplus reserve and Undistributed profits successively.

23、 Revenue

Recognition and measurement of revenue:

(1) Sale of goods

Revenue from the sale of goods shall be recognized when all of the following conditions are satisfied:

- ①the entity has transferred the significant risks and reward ownership of goods to the buyer;
- ②the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- ③the amount of revenue can be measured reliably;
- ④relate economic benefit is probably inflow to the enterprise;
- ⑤the associated costs incurred or to be incurred can be measured reliably.

(2) Contract revenue

①When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a) total contract revenue can be measured reliably;
- b) it is probable that the economic benefits associated with the contract will flow to the enterprise;
- c) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and
- d) both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- a) it is probable that the economic benefits associated with the contract will flow to the enterprise; and
- b) the contract costs attributable to the contract, can be clearly identified and measured reliably.

On the balance sheet date, under the percentage of completion method, contract revenue is recognised as revenue in the income statement in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in the income statement in the accounting periods in which the work to which they relate is performed. The Company may have incurred contract costs, indemnity or reward, caused by the change of the contract. Such contract costs can be recognised as revenue, if such costs represent an amount due from the customer and there is an agreement with the customer.

②When the outcome of a construction contract cannot be estimated reliably:

a、 revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and

b、 If the cost can not be recovered, contract costs should be recognised as an expense in the period in which they are incurred.

③An expected loss on the construction contract should be recognised as an expense immediately

(3) Rendering of services

①The entity recognize revenue from rendering of service when come out of rendering of service can be measured reliably at balance sheet date, and adopt percentage of completion method in recognition of revenue. The method depends on schedule of complete to determined revenue and expense.

the outcome of service can be estimated reliably when all the following conditions are satisfied:

- a、 the amount of revenue can be measured reliably;
- b、 relate economic benefit is probably inflow to the enterprise;
- c、 the complete of schedule could be determined reliably;
- d、 the associated costs incurred or to be incurred can be measured reliably.

②When the outcome of rendering of service cannot be measured reliably at balance sheet date:

a、 revenue shall be recognized to the extent of costs incurred that are expected to be recoverable if compensation are predict to be award;

b、to those cost that without compensation in predict, through to profit and loss account without recognize revenue.

(4) Transfer of asset use right

The revenue of transfer of asset use right including : interest income、 user charges etc, recognized when all the following conditions are satisfied:

- ①the economic benefits related to the transaction are probably will flow into enterprise;
- ②the amounts can be reliably measured.

Interest income, compute base on the funds used time by other peoples and the actual interest rate.

User charges, compute base on the chargeable time and method arranged in the contract or agreement.

24、 Government grants

(1) Recognition of government grants:

- ①comply with the conditions attached to the grant;
- ② the Company can receive the grant.

(2) Category and accounting treatment of government grants:

- 1) A government grant related to an asset shall be recognized as deferred income, when the assets is substantially ready for its intended use, evenly amortized to profit and loss over the useful lives of the related asset. Unamortized amount would be one-off recognized in profit and loss account when the asset is sale, convey, scrap, derogation before its useful life.
- 2) For government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit and loss over the periods in which the related cost are recognized.

(3) Measurement of government grants:

If the government grants is monetary assets, recognized by the amount received or to be received. If the government grants is non monetary assets, recognized by the fair value; if the fair value cannot be estimated reliably, recognized by the nominal value.

(4) Restitution of recognized government grants:

- 1) If there is relevant deferred income, decrease the carrying value of the deferred income, any exceeds the amount shall be recognized to current profit and loss account.
- 2) If there is no relevant deferred income, recognized to current profit and loss account directly.

25、 Deferred income tax assets and deferred income tax liability

The Company uses balance sheet-liability method in calculation of income taxes. According the difference between carry amount of asset and liability and its tax base, apply tax rate to determine deferred income tax asset or liability according the predict period of recover asset or discharge liability.

(1) Recognition of deferred income tax assets

① Deferred income tax assets shall be recognized according to deductible temporary differences to the extent that is probable that tax profits will be available against which the deductible temporary differences can be utilized, but deferred income tax asset arise from initial recognize of asset and liabilities in transaction that have character listed below would not recognised:

a、The transaction is not business combination;

b、at the time of the transaction, it affects neither accounting profit nor taxable profit (or deductible loss)

② The company and subsidiaries, associated companies and joint venture investments that can be related to deductible temporary differences, while meeting the following conditions, to confirm the corresponding deferred income tax assets:

a、Temporary differences in the foreseeable future is likely to switch back to; and

b、It is likely to be used for deductible temporary differences in taxable income in the future.

③ The Company can carry forward for the subsequent year's tax losses and tax credits, to very likely be used to offset tax losses and tax credits amount of future taxable income limit, verify the corresponding deferred income tax assets.

(2) Recognition of deferred income tax liability

Deferred tax liabilities shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liabilities arise from:

① the initial recognition of goodwill;

② the initial recognition of assets or liabilities, when all the following conditions are satisfied:

a、the transaction is not a business combination;

b、at the time of the transaction, it affects neither accounting profit nor taxable profit (or deductible loss).

③ Temporary differences arise from the investments in subsidiaries, associates and interests in joint ventures, when all the following conditions are satisfied:

a、the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and

b、it is probable that the temporary difference will not reverse in the foreseeable future.

(3) The carrying amount of a deferred tax asset should be reviewed at each balance sheet date. The Company should 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 should be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

26、 Operating leases and finance leases

(1) Operating leases

① When the Company as the Lessee under operating lease, lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. Initial direct expense undertaken by the Company, recognized to the management expenses, contingent rental incurred recognized as current expenses. If the lease contract including a rent-free period, the Company shall amortize the overall rent expenses on a straight-line basis over the whole lease period, during the rent-free period recognize lease expenses and liability correspond to it. If the lessee's expenses paid by the lessor, the Company shall be reduce this expenses from the total rent expenses, and amortize the balance.

②When the Company as the lessor under operating lease, lease income from operating leases shall be recognised in income on a straight-line basis over the lease term. The initial costs, recognized to the current profit and loss account, however, if the amount is large, shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. If the lease contract including a rent-free period, the Company shall recognize the total lease income for the whole lease period, during the rent-free period recognize the income also. If the Company paid some lessee's expenses, the Company shall amortize the income balance (total lease income deduct the expenses) during lease period.

(2) Finance lease

①At the commencement of the lease term, lessees shall recognise finance leases as assets in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, and the amount of present value of the minimum lease payments recognized as long term accounts payable, the difference recognized as unrecognized financial charges. During each lease period, adopt actual interest rate method to amortize the expenses, and recognized to financial expense in current period.

The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, the depreciation period according to the lease period. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the assets shall be depreciated over its useful life. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

②When the Company as the lessor under finance lease, lessors shall recognise assets held under a finance lease in their balance sheets and present them as a long term accounts receivable at an amount equal to the minimum lease receivable add the initial cost, and simultaneously recognize unguaranteed residual value. The difference between the total of minimum lease receivable、initial costs、unguaranteed residual value and the total of present value shall be recognized as unrealized financing profits, adopt the actual interest rate method to recognize income during the lease period, recording to lease income/ operating income.

27、Assets held for sale

(1) Recognition of assets held for sale

An entity shall classify a non-current asset as held for sale if when all the following conditions are satisfied:

- ① the appropriate level of management must be committed to a plan to sell the asset;
- ② the Company has entered into a irrevocable transfer agreement with buyer;
- ③ the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(2) Accounting treatment

For those assets held for sale, the Company shall adjust the assets' estimated net residual value, let the amount can reflect the fair value less costs to sell, but not in excess of the original carrying amount of the non-current assets, the difference of estimated net residual value after adjustment and the original carrying amount, shall be recognized as assets impairment loss to current profit and loss account.

The entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- ① its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- ② its recoverable amount at the date of the subsequent decision not to sell.

28、Changes in accounting policies, accounting estimates

(1) Change in accounting policies

There are no changes in accounting policy during current period.

(2) Change in accounting estimates

The Company according to the contract agreed date as credit expire date to collect the long-term account receivable, the account age counted after the contract agreed date, and considers the debtor's actual business situation to determine the percentage of provision for bad debts. From the January 1, 2009, the Company changed the percentage of provision for bad debts of the long-term account receivable.

Before change

<u>Age</u>	<u>Percentage %</u>
1-90days	0.00
91-180days	10.00
181-270days	30.00
271-360days	50.00
Over 360days	100.00

After change

<u>Age</u>	<u>Percentage %</u>
Not until expire date	0.00
1-60days	10.00
61-120days	30.00
121-180days	50.00
Over 181days	100.00

The Company and its subsidiaries adopt prospective approach for the change in accounting estimates, the change bring impact to current net profits by RMB6,421,748.72.

29、Correct previous accounting period errors

There are no items of correct previous accounting period error in current period.

III. Taxation

1、The type of tax and tax rate for the Company are list below:

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
VAT	Sale of product and raw material	0、17
Business Tax	Taxable revenue	5
Education Surcharge	VAT payable, business tax, consumer tax, taxes that shall not be exempt from tax allowance and deduction	1
Corporation Tax	Taxable profit	20

According to《Notice about Implementation of Preferential Policies of the on Transition of Enterprise Income Tax 》[No.39 (2007 of State Council)]issued by The State Council on December 16 2007 and 《Notice of the Ministry of Finance and State Administration of Taxation about Implementation of Preferential Policies of the State Council on Transition of Enterprise Income Tax》 [No. 21 [2008] of the Ministry of Finance] issued by the ministry on February 23 2008, the income tax rate applicable to the Company is 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011 respectively.

2、The tax type and tax rate for primary subsidiaries:

(1) Tsann Kuen (ZhangZhou) Enterprise Ltd(TKL)

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
VAT	Sale of product and raw material	0、17
Business Tax	Business turnover	5
Local Education Surcharge	VAT payable, business tax, consumer tax、Tax that shall not be exempt from tax allowance and deduction	1
Corporation Tax	Taxable profit	15

TKL was cognizance as high technology enterprise by the Fujian Province High Technology Enterprise Cognizance Group (No. 8[2009] Ming Ke Gao), according to the tax law, the corporation tax rate is 15%.

(2) Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. (TKN)

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
VAT	Sale of product and raw material	17
Business Tax	Business turnover	5
Local Education Surcharge	VAT payable, business tax, consumer tax、Tax that shall not be exempt from tax allowance and deduction	1
Corporation Tax	Taxable profit	12.50

Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd is a production enterprise which is located at Zhangzhou Fujian, according to 《Notice about Implementation of Preferential Policies of the on Transition of Enterprise Income Tax 》 [No.39 (2007 of State Council)]issued by The State Council, the Company can still enjoy the “first two years free tax payment, and half tax payment in next three years”policy, the Company’s first profitable year is in the year of 2005.

According to the《Notice of Implementation of Preferential Policies of Enterprise Income Tax》[No. 69 [2009] of the Ministry of Finance] issued by the ministry, the Company is exempted from income tax from the first to the second accounting period, and is levied at 12.5% from the third to the fifth accounting period since the Company is profitable. Therefore, the income tax rate for the Company on 2009 is 12.5%.

(3) Tsann Kuen (ShangHai) Enterprise Ltd(TKS)

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
VAT	Sale of product and raw material	17
Business Tax	Business turnover	5
Urban construction tax	Total of VAT, business tax and consumer tax	1
Corporation Tax	Taxable profit	25

(4) Shanghai Canxing Trading Co.Ltd

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
VAT	Sale of product and raw material	17
Business Tax	Business turnover	5
Urban construction tax	Total of VAT, business tax and consumer tax	1
Education Surcharge	VAT payable, business tax, consumer tax、Tax that shall not be exempt from tax allowance and deduction	3
Corporation Tax	Taxable profit	25

(5) EUPA (Hong Kong) Co., Ltd

The Company's subsidiary EUPA (Hong Kong) Co., Ltd is registered in Hongkong Special Administrative Zone, and income tax rate for the company is 16.5% in 2009.

(6) STAR TRAVEL INTERNATIONAL (XIAMEN) CO.,LTD

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
Business Tax	Business turnover	5
Urban construction tax	Total of VAT, business tax and consumer tax	1
Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	3
Corporation Tax	Taxable profit	25

(7) Xiamen Canxing Trading Co.,Ltd

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
VAT	Sale of product and raw material	17
Business Tax	Business turnover	5
Urban construction tax	Total of VAT, business tax and consumer tax	7
Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	3
Local Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	1
Corporation Tax	Taxable profit	25

(8) Shanghai Fanxin Aviation Service Co.,Ltd

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
Business Tax	Business turnover	5
Urban construction tax	Total of VAT, business tax and consumer tax	1
Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	3
Local Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	1
Corporation Tax	Taxable profit	25

(9) STAR TRAVEL INTERNATIONAL (DALIAN) CO.,LTD

<u>Categories of taxes</u>	<u>Tax base</u>	<u>Rate %</u>
Business Tax	Business turnover	5
Urban construction tax	Total of VAT, business tax and consumer tax	7
Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	3
Local Education Surcharge	VAT payable, business tax, consumer tax, Tax that shall not be exempt from tax allowance and deduction	1
Corporation Tax	Taxable profit	25

The Company's subsidiary STAR TRAVEL INTERNATIONAL (DALIAN) CO.,LTD (STID)adopt suitable income tax levy method, and income tax rate for the company is 13% in 2009.

IV. Enterprise consolidation and consolidation statement scope

1、Information of subsidiaries in consolidation scope:

(1) Subsidiary through the establishment or investment method obtained

*The monetary unit is ten thousand unless otherwise stated

<u>Company name</u>	<u>Company type</u>	<u>Registration location</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
Tsann Kuen (ZhangZhou) Enterprise Ltd(TKL)	Chinese-Foreign Joint Venture company	Zhangzhou	Manufacture home electronic appliance	USD16,000	Development, production and sales of small home electronic appliance, new style of electronic device, light-industrial product, and modern furniture and relative modules
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. (TKN)	Chinese-Foreign Joint Venture company	Zhangzhou	Manufacture home electronic appliance	RMB500	Development and production of small home electronic appliance, new style of electronic device, light-industrial product, and modern furniture
Eupa (Hong Kong) Ltd(EUPA)		HongKong	synthesize	USD290	Trading, purchase, small home appliance research, investment, market research
Tsann Kuen (Zhangzhou) Profession and Technology College (Tsann Kuen College)		Zhangzhou	Profession education	RMB300	Secondary vocational education
Shanghai Canxing Trading Co.Ltd(Shanghai Canxing Trading)	limited liability company	Shanghai	Sale of home electronic	RMB500	Engaging in household appliances, calculators and accessories, communication equipment, electrical equipment, office supplies and related products (including kitchen supplies) the import, wholesale, retail and after-sales service; self-and agent all kinds of goods and technology import and export, production : roasted coffee powder, daily use of the wholesale, retail and other sales (food non-food way)

<u>Company name</u>	<u>Company type</u>	<u>Registration location</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
STAR TRAVEL INTERNATIONAL (XIAMEN) CO.,LTD (Xiamen Canxing Travel)	limited liability company	Xiamen	travel business	RMB500	Inbound tourism business; domestic tourism business
Xiamen Canxing Trading Co.,Ltd(Xiamen Canxing Trading)	limited liability company	Xiamen	Sale of home electronic	RMB900	Wholesale, retail , general merchandise, home electronic appliance, computer and its fitting equipment, communication equipments, mechanical and electronic equipments,office equipments,kitchen appliance and releate complete product; Import or export products or technology, but those products prohibit by the Country are exempt..

Subsidiary through the establishment or investment method obtained (Continued)

*The monetary unit is ten thousand unless otherwise stated

<u>Company name</u>	<u>*Actual investment amount</u>	<u>The balance of other project.</u>		
		<u>substantially constitute the net investment in subsidiary.</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
TKL	USD12,000	0.00	75.00	75.00
TKN	RMB375	0.00	75.00	75.00
EUPA	USD140	0.00	100.00	100.00
Tsann Kuen College	RMB300	0.00	75.00	100.00
Shanghai Canxing Trading	RMB495	0.00	74.25	99.00
Xiamen Canxing Travel	RMB500	0.00	100.00	100.00
Xiamen Canxing Trading	RMB891	0.00	73.5075	99.00

Subsidiary through the establishment or investment method obtained (Continued)

<u>Company name</u>	<u>Whether consolidated statements</u>	<u>Minority equity</u>	<u>The amount of minority equity used for decrease the profits and losses of minority shareholders</u>	<u>The balance of parent company's equity, that is equal to the parent shareholders' equity less the subsidiary's current loss undertaken by the minority shareholders according their quotient of the beginning of the period</u>
TKL	Yes	314,900,559.40	0.00	0.00
TKN	Yes	2,830,608.58	0.00	0.00
EUPA	Yes	0.00	0.00	0.00
Tsann Kuen College	Yes	0.00	0.00	0.00
Shanghai Canxing Trading	Yes	54,065.45	0.00	0.00
Xiamen Canxing Travel	Yes	0.00	0.00	0.00
Xiamen Canxing Trading	Yes	76,558.28	0.00	0.00

(2) Subsidiary obtained under the common control business combination

*The monetary unit is ten thousand unless otherwise stated.

<u>Subsidiary name</u>	<u>Company type</u>	<u>Registration location</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
			Manufacture		
Tsann Kuen (ShangHai) Enterprise Ltd (TKS)	Chinese-Foreign Joint Venture company	Shanghai	home electronic appliance	USD4,000	Manufacture and sales of small home electronic appliance, electronic device, light-industrial product, and modern furniture and relative modules

Subsidiary obtained under the common control business combination (Continued)

<u>Subsidiary name</u>	<u>*Actual investment amount</u>	<u>The balance of other project, substantially constitute the net investment in subsidiary</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
TKS	USD2,500	0.00	62.50	62.50

Subsidiary obtained under the common control business combination (Continued)

<u>Subsidiary name</u>	<u>Whether consolidated statements</u>	<u>Minority equity</u>	<u>The amount of minority equity used for decrease the profits and losses of minority shareholders</u>	<u>The balance of parent company's equity, that is equal to the parent shareholders' equity less the subsidiary's current loss undertaken by the minority shareholders according their quotient of the beginning of the period</u>
TKS	Yes	38,655,395.65	0.00	0.00

(3) Subsidiary obtained not under the common control business combination

*The monetary unit is ten thousand unless otherwise stated.

<u>Subsidiary name</u>	<u>Company type</u>	<u>Registration location</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
Shanghai Fanxin Aviation Service Co.,Ltd(Shanghai Fanxin)	limited liability company	Shanghai	Ticket agent	RMB150	Engage in domestic airline of civil air transport sales agency business, except in Hong Kong, Macao, and Taiwan regions
STAR TRAVEL INTERNATIONAL (DALIAN) CO.,LTD (STID) (Dalian Canxing Travel)	limited liability company	Dalian	Travel business	RMB280	Inbound tourism business; outbound tourism business;domestic tourism business; travel products research and sales
Xiamen Jinyuan Aviation Service Co.,Ltd(Xiamen Jinyuan)	limited liability company	Xiamen	Ticket agent	RMB150	Ticket agent(Engage in domestic airline of civil air transport sales agency business, except in Hong Kong, Macao, and Taiwan regions)

Subsidiary obtained not under the common control business combination (Continued)

*The monetary unit is ten thousand unless otherwise stated.

<u>Subsidiary name</u>	<u>*Actual investment amount</u>	<u>The balance of other project, substantially constitute the net investment in subsidiary</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
Shanghai Fanxin	RMB68.85	0.00	37.8675	51.00
Dalian Canxing Travel	RMB275	0.00	69.5675	94.64
Xiamen Jinyuan	RMB125	0.00	70.5375	100.00

Subsidiary obtained not under the common control business combination (Continued)

<u>Subsidiary name</u>	<u>Whether consolidated statements</u>	<u>Minority equity</u>	<u>The amount of minority equity used for decrease the profits and losses of minority shareholders</u>	<u>The balance of parent company's equity, that is equal to the parent shareholders' equity less the subsidiary's current loss undertaken by the minority shareholders according their quotient of the beginning of the period</u>
Shanghai Fanxin	Yes	516,159.95	0.00	0.00
Dalian Canxing Travel	Yes	80,794.16	0.00	0.00
Xiamen Jinyuan	Yes	0.00	0.00	0.00

2、Changes in consolidation scope

Xiamen Canxing Travel is a wholly-owned subsidiary incorporated by the Company by monetary fund on 17 February 2009. The registration capital of Xiamen Canxing Travel is RMB 5,000,000.00. The Company owns 100% ordinary shares of Xiamen Canxing Travel. The financial information of Xiamen Canxing Travel has been included in the consolidated statements for the current reporting period.

Xiamen Canxing Trading was incorporated by the Company's subsidiary TKS and Mr. Dai Huiyuan by monetary fund on 13 March 2009. The registration capital of Xiamen Canxing Trading is RMB 9,000,000.00. TKS and Mr. Dai Huiyuan owns 99% and 1% ordinary shares of Xiamen Canxing Trading respectively. The financial information of Xiamen Canxing Trading has been included in the consolidated statements for the current reporting period.

On 30 June 2009, Shanghai Canxing Trading, the Company's subsidiary, and Mr. Zhu Chengde jointly purchased the full shareholding in Shanghai Fanxin from Shanghai Zhanhong Frigate Agent Co., Ltd. and Anfei by RMB 178,500.00 and RMB 171,500.00 respectively. Shanghai Canxing Trading and Mr. Zhu Chengde owned 51% and 49% ordinary shares of Shanghai Fanxin immediately after the purchase respectively. On 14 October 2009, a capital injection of RMB 1,000,000.00 by monetary fund was 51% and 49% contributed by Shanghai Canxing Trading and Mr. Zhu Chengde respectively. Immediately after the capital injection, the registered capital of Shanghai Fanxin increased to RMB 1,500,000.00. The original shareholding structure of Shanghai Fanxin has not been affected by the capital injection. The financial information of Shanghai Fanxin has been included in the consolidated statements for the current reporting period.

The investment of RMB 1,150,000.00 in Dalian Canxing Travel was transacted on 25 July 2009 by Xiamen Canxing Trading, the Company's subsidiary. Immediately after the investment, the registered capital of Dalian Canxing Travel increased from RMB 1,500,000.00 to RMB 2,800,000.00 and Xiamen Canxing Trading owned 41.07% ordinary shares of Dalian Canxing Travel. On 31 August 2009, 53.57% ordinary shares of Dalian Canxing Travel were purchased by from Mr. Dai Huiyuan by Xiamen Canxing Trading for RMB 1,600,000.00. Immediately after the share purchase, Xiamen Canxing Trading and Mr. Dai Huiyuan owned 94.64% and 5.63% ordinary shares of Dalian Canxing Travel respectively. The shareholding structure of Dalian Canxing Travel has not been altered since then. The financial information of Dalian Canxing Travel has been included in the consolidated statements for the current reporting period.

Xiamen Jinyuan was wholly acquired by Xiamen Canxing Trading, the Company's subsidiary on 6 April 2009 from Mr. Zhang Xinhui and Mrs. Wu Xiangru for RMB 250,000.00. A capital injection of RMB 1,000,000.00 was effected by Xiamen Canxing Trading on 8 July 2009. Immediately after the capital injection, the registered capital of Xiamen Jinyuan increased from RMB 500,000.00 to RMB 1,500,000.00. Xiamen Canxing Trading owns 100% ordinary shares of Xiamen Jinyuan. The financial information of Xiamen Jinyuan has been included in the consolidated statements for the current reporting period.

3、 New Subsidiary included in the consolidated statement during current period

<u>Subsidiary name</u>	<u>Net assets value on the purchase date</u>	<u>Net assets value on the end of the period</u>	<u>Net profits from the purchase date(or establishment date) to the end of the period</u>
Xiamen Canxing Travel	0.00	2,922,614.85	-2,077,385.15
Xiamen Canxing Trading	0.00	8,228,652.11	-771,347.89
Shanghai Fanxin	209,078.27	1,053,387.66	-155,690.61
Dalian Canxing Travel	2,004,210.78	1,507,353.82	-496,856.96
Xiamen Jinyuan	125,000.00	1,075,507.68	-49,492.32

4、 New subsidiary obtained not under the common control business combination

<u>Investee</u>	<u>Purchase date</u>	<u>Merger cost</u>	<u>Fair value of the identifiable net assets of the investee</u>	<u>Goodwill value</u>	<u>Method of goodwill compute</u>
Shanghai Fanxin	30 June 2009	178,500.00	209,078.27	71,870.08	The difference of merger cost and value of net assets enjoyed by proportion of shareholdings
Dalian Canxing Travel	31 August 2009	2,750,000.00	2,004,210.78	800,109.01	
Xiamen Jinyuan	6 April 2009	250,000.00	125,000.00	125,000.00	

5、 The exchange rate in the financial statements of the oversea business entities

EUPA (Hong Kong) Limited in the consolidated financial statements is an oversea business entity, of which the presentation currency is HKD. The applicable exchange rates are HKD/RMB 0.8805 (the balance sheet date spot rate) for assets and liabilities, HKD/RMB 1.0399 (the prevailing rate for the relevant period) for Share capital which is a line item under Shareholders' equity (excluding Undistributed profits), and the transaction date spot rates for income and expense. The exchange differences occurred thereupon has been presented as a line item under Shareholders' equity.

V. Main notes in the Consolidation Statement

1.Monetary fund

(1) Details of monetary fund

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	Presentation currency	Original currency	Exchange rate	Presentation currency
Cash on hand						
CNY	352,451.21	1.0000	352,451.21	243,387.23	1.0000	243,387.23
HKD	11,164.55	0.8805	9,830.39	1,907.91	0.8819	1,682.59
USD	2,008.72	6.8282	13,715.94	19,891.04	6.8346	135,947.30
JPY	402,175.90	0.0738	29,680.58	1,470,508.90	0.07565	111,244.00
EUR	22,809.48	9.7971	223,466.76	27,054.48	9.659	261,319.22
FRF	7.00	6.5938	46.16	0.00	6.4624	0.00
GBP	3.13	10.978	34.36	0.00	9.8798	0.00
IDR	600,000.00	0.0007	420.00	0.00	0.0006	0.00
HUF	81,016.00	0.0359	2,908.47	0.00	0.0357	0.00
Subtotal			<u>632,553.87</u>			<u>753,580.34</u>
Cash in bank						
CNY	414,700,956.42	1.0000	414,700,956.42	127,576,436.85	1.0000	127,576,436.85
HKD	2,604,681.59	0.8805	2,293,422.14	1,509,697.21	0.8819	1,331,401.97
USD	21,677,428.63	6.8282	148,017,818.17	28,084,570.81	6.8346	191,946,807.66
JPY	83,462,502.00	0.0738	6,159,532.65	177,565,874.00	0.07565	13,432,858.37
EUR	63,422.56	9.7971	621,357.16	129,292.85	9.659	1,248,839.64
Subtotal			<u>571,793,086.54</u>			<u>335,536,344.49</u>
Other Monetary fund						
CNY	59,820,784.87	1.0000	59,820,784.87	77,191,317.55	1.0000	77,191,317.55
HKD	32,080.00	0.8805	28,246.44	32,010.25	0.8819	28,229.84
USD	0.00	6.8282	0.00	438,475.20	6.8346	2,996,802.60
Subtotal			<u>59,849,031.31</u>			<u>80,216,349.99</u>
Total			<u>632,274,671.72</u>			<u>416,506,274.82</u>

(2) Other monetary fund including bank acceptance notes and the letters of credit margin deposits.

The reasons of bank deposits under restriction:

① The subsidiary TKL used the fixed deposit in USD 10,000,000.00 to signed the loan pledge guarantee contract with the Xiamen Branch of Bank of East Asia (China) Ltd; the pledge period is from 29 October 2009 to 15 January 2010.

② The subsidiary TKL used the fixed deposit in RMB3,450,000.00 to signed the financing pledge contract with the Bangkok Bank Public Co Ltd Xiamen Branch, the pledge period is from 16 November 2009 to 31 January 2010.

2、Held for trading financial assets

(1)Category:

<u>Item</u>	<u>Fair value in year end</u>	<u>Fair value in year beginning</u>
Derivative financial assets	<u>1,588,661.38</u>	<u>0.00</u>
Total	<u>1,588,661.38</u>	<u>0.00</u>

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

3、Notes receivable

(1) Categories of notes receivable:

<u>Items</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>
Bank acceptance notes	2,290,000.00	5,823,544.00
Commercial acceptance notes	<u>3,561,328.67</u>	<u>0.00</u>
Total	<u>5,851,328.67</u>	<u>5,823,544.00</u>

(2) As at December 31, 2009, the Company have no pledged notes receivable.

(3) As at December 31, 2009, the Company has no discounted or pledged commercial acceptance bills.

4、Account receivable

(1) Account receivable listed according to the risk degree and the balance value :

<u>Items</u>	<u>Ending Balance</u>				<u>Beginning Balance</u>			
	<u>Book value</u>		<u>Provision for bad debts</u>		<u>Book value</u>		<u>Provision for bad debts</u>	
	<u>Balance</u>	<u>Proportion%</u>	<u>Balance</u>	<u>Proportion%</u>	<u>Balance</u>	<u>Proportion%</u>	<u>Balance</u>	<u>Proportion%</u>
individual significant amounts	148,235,525.97	34.59	7,804,117.44	20.17	161,545,803.31	35.73	12,904,956.35	23.47
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	30,186,997.49	7.05	30,186,997.49	78.03	41,258,039.77	9.12	41,258,039.77	75.04
Other non-significant receivables	<u>250,100,202.26</u>	<u>58.36</u>	<u>697,368.88</u>	<u>1.80</u>	<u>249,342,672.13</u>	<u>55.15</u>	<u>820,937.38</u>	<u>1.49</u>
Total	<u>428,522,725.72</u>	<u>100.00</u>	<u>38,688,483.81</u>	<u>100.00</u>	<u>452,146,515.21</u>	<u>100.00</u>	<u>54,983,933.50</u>	<u>100.00</u>

(2) Account receivable classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high:

<u>Age</u>	<u>Ending Balance</u>			<u>Beginning Balance</u>		
	<u>Book value</u>		<u>Provision for bad debts</u>	<u>Book value</u>		<u>Provision for bad debts</u>
	<u>Balance</u>	<u>Proportion%</u>		<u>Balance</u>	<u>Proportion%</u>	
1-2years	371,158.34	0.09	371,158.34	129,371.16	0.02	129,371.16
2-3years	129,371.16	0.03	129,371.16	41,128,668.61	9.10	41,128,668.61
3-4years	<u>29,686,467.99</u>	<u>6.93</u>	<u>29,686,467.99</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>30,186,997.49</u>	<u>7.05</u>	<u>30,186,997.49</u>	<u>41,258,039.77</u>	<u>9.12</u>	<u>41,258,039.77</u>

(3) Provision for bad debts of account receivables that belong to individual significant amounts:

<u>Name of account receivable</u>	<u>Book value</u>	<u>Provision for bad debts</u>	<u>Provision proportion%</u>	<u>Reasons</u>
Applica Consumer Products Inc	91,829,410.00	7,804,117.44	0.00%-100.00%	According to the provision for bad debts accounting policy
TKJ	<u>56,406,115.97</u>	<u>0.00</u>	0.00%	According to the provision for bad debts accounting policy
Total	<u>148,235,525.97</u>	<u>7,804,117.44</u>		

(4) As at December 31, 2009 there is no provision for bad debts for non-significant receivables, that conduct impairment test individually.

(5) For the year 2009, the Company write off account receivable for RMB11,772,577.31, the details as followed:

<u>Debtors' name</u>	<u>Write off amount</u>	<u>Nature</u>	<u>Reasons</u>	<u>Whether is related parties</u>
Applica ConsumerProducts Inc	4,661,376.07	Payment for goods	quality badness fine; final payment	No
Jarden Consumer Solutions	3,729,346.90	Payment for goods	quality badness fine; final payment	No
SEB Asia Ltd	1,560,676.52	Payment for goods	quality badness fine; final payment	No
Huizhou Huiqun die-casting industry Co., Ltd	619,988.28	Payment for goods	quality badness fine; final payment	No
Toshiba THT Corporation	494,532.50	Payment for goods	quality badness fine; final payment	No

(6) There is no Accounts receivable balance due from shareholders who own five or over five percent voting rights as at December 31, 2009.

(7) The balance of top five account receivable:

<u>Company name</u>	<u>Relationship</u>	<u>Balance</u>	<u>Age</u>	<u>Proportion of total account receivables %</u>
Applica ConsumerProducts Inc	Non-related parties	91,829,410.00	Within 4 years	21.43
TKJ	Related parties	56,406,115.97	Within 1 year	13.16
SEBASIALTD	Non-related parties	34,967,062.85	Within 1 year	8.16
Sunbeam Corporation Limited	Non-related parties	27,841,035.15	Within 1 year	6.50
Tsann Kuen Enterprise Co., Ltd.	Related parties	<u>19,645,910.91</u>	Within 1 year	<u>4.58</u>
Total		<u>230,689,534.88</u>		<u>53.83</u>

(8) Details of accounts receivable balance due from related parties:

<u>Company name</u>	<u>Relationship</u>	<u>Balance</u>	<u>Proportion of total account receivables %</u>
TKJ	Under the same final control of the holding company	56,406,115.97	13.16
Tsann Kuen Enterprise Co., Ltd.	Pre holding company	19,645,910.91	4.58
Xiamen Shengming Electronic Co., Ltd	Key management and closed family members' direct control company	24,266.07	0.01
Canxing Travel Network Travel Service Co., Ltd	Under the same final control of the holding company	<u>15,082.99</u>	<u>0.00</u>
Total		<u>76,091,375.94</u>	<u>17.75</u>

5、Advance to suppliers

(1) Aged analysis :

<u>Age</u>	<u>Ending balance</u>		<u>Beginning Balance</u>	
	<u>Balance</u>	<u>Proportion %</u>	<u>Balance</u>	<u>Proportion %</u>
Within 1 year	4,382,912.72	100.00	5,915,476.53	66.39
1-2years	<u>0.00</u>	<u>0.00</u>	<u>2,995,322.41</u>	<u>33.61</u>
Total	<u>4,382,912.72</u>	<u>100.00</u>	<u>8,910,798.94</u>	<u>100.00</u>

(2) List the amount of top five advance to supplier:

<u>Company</u>	<u>The relationship with the Company</u>	<u>Balance</u>	<u>Age</u>	<u>Reasons of outstanding</u>
ACE Group Product Insurance Company Of North America	Non-related parties	1,452,760.00	Within 1 year	The implementation of the contract has not completed
Dongguan city Hucheng Trading Co., Ltd	Non-related parties	644,965.00	Within 1 year	Supplier unfilled
Xiamen Quanyu International Trade Co., Ltd	Non-related parties	414,816.23	Within 1 year	Supplier unfilled
Ningbo Jiangyou Electronics Co., Ltd	Non-related parties	242,249.72	Within 1 year	Supplier unfilled
Shanghai Electric Power Company(Jiading Power company)	Non-related parties	<u>210,000.00</u>	Within 1 year	The implementation of the contract has not completed
Total		<u>2,964,790.95</u>		

(3) There is no Advance to supplier balance due from shareholders who own five or over five percent voting rights as at December 31, 2009.

6、Other accounts receivable

(1) Other accounts receivable listed according to the categories:

<u>Items</u>	<u>Ending balance</u>				<u>Beginning Balance</u>			
	<u>Book value</u>		<u>Provision for bad debts</u>		<u>Book value</u>		<u>Provision for bad debts</u>	
	<u>Balance</u>	<u>Proportion%</u>	<u>Balance</u>	<u>Proportion%</u>	<u>Balance</u>	<u>Proportion%</u>	<u>Balance</u>	<u>Proportion%</u>
individual significant amounts	1,800,511.01	10.57	0.00	0.00	9,284,077.19	27.16	0.00	0.00
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	1,780,121.11	10.46	1,780,121.11	81.88	3,403,176.27	9.96	3,403,176.27	65.49
Other non-significant receivables	<u>13,446,489.68</u>	<u>78.97</u>	<u>393,914.84</u>	<u>18.12</u>	<u>21,495,669.25</u>	<u>62.88</u>	<u>1,793,422.09</u>	<u>34.51</u>
Total	<u>17,027,121.80</u>	<u>100.00</u>	<u>2,174,035.95</u>	<u>100.00</u>	<u>34,182,922.71</u>	<u>100.00</u>	<u>5,196,598.36</u>	<u>100.00</u>

(2) Other accounts receivable classified as non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high:

Age	Ending balance			Beginning Balance		
	Book value		Provision for bad debts	Book value		Provision for bad debts
	Balance	Proportion%		Balance	Proportion%	
1-2 years	920,589.76	5.41	920,589.76	2,386,574.47	6.98	2,386,574.47
2-3 years	10,158.10	0.06	10,158.10	572,898.96	1.68	572,898.96
3-4 years	534,582.55	3.14	534,582.55	443,702.84	1.30	443,702.84
4-5 years	<u>314,790.70</u>	<u>1.85</u>	<u>314,790.70</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>1,780,121.11</u>	<u>10.46</u>	<u>1,780,121.11</u>	<u>3,403,176.27</u>	<u>9.96</u>	<u>3,403,176.27</u>

(3) Provision for bad debts of other account receivables that belong to individual significant amounts on the balance sheet date:

Details of other accounts receivable	Book value	Provision for bad debts	Provision proportion%	Reasons
Zhangzhou City Economic Development Co., Ltd	<u>1,800,511.01</u>	<u>0.00</u>	<u>0.00</u>	According to the provision for bad debts accounting policy
Total	<u>1,800,511.01</u>	<u>0.00</u>	<u>0.00</u>	

(4) End of the period are all important but a separate test for impairment of other receivables provisioning of bad debts.

(5) For the year 2009, details of company write off other account receivable:

Company name	Nature	Write off amount	Reasons	Whether caused by the related transactions
Personal	Temporary borrowings for industrial injury	77,370.39	Resignation	No
Personal	Temporary borrowings for tuition fee	<u>76,998.32</u>	Resignation	No
Total		<u>154,368.71</u>		

(6) There is no Other accounts receivable balance due from shareholders who own five or over five percent voting rights as at December 31, 2009.

(7) List the amount of top five other accounts receivable:

Company name	Relationships	Balance	Age	Proportion of total other accounts receivable%
Zhangzhou City Economic Development Co., Ltd	Non-related parties	1,800,511.01	Within 1 year	10.57
Finance Bureau of Fujian Province	Non-related parties	1,134,928.79	Within 1 year	6.67
Fujian Province Longhai City Electric Power Supply Co., Ltd	Non-related parties	1,093,359.49	Within 1 year	6.42
Haicang office of Xiamen Customs	Non-related parties	888,160.65	Within 1 year	5.22
Zhangzhou City Haikun Metal Products Co., Ltd	Non-related parties	<u>882,332.92</u>	Within 1 year	<u>5.18</u>
Total		<u>5,799,292.86</u>		<u>34.06</u>

7、Inventory

(1) Category of inventory:

<u>Items</u>	<u>Ending balance</u>			<u>Beginning Balance</u>		
	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying value</u>	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying value</u>
Raw material	143,092,936.81	10,990,495.49	132,102,441.32	190,355,952.68	6,624,807.61	183,731,145.07
Work in progress	32,833,517.49	0.00	32,833,517.49	11,858,833.62	0.00	11,858,833.62
self-manufactured semi-finished goods	57,486,114.12	3,490,054.78	53,996,059.34	79,834,892.04	0.00	79,834,892.04
Finished goods	132,906,900.79	2,929,259.24	129,977,641.55	169,764,797.46	2,505,969.67	167,258,827.79
Material in transit	<u>1,349,054.25</u>	<u>0.00</u>	<u>1,349,054.25</u>	<u>8,542,553.88</u>	<u>0.00</u>	<u>8,542,553.88</u>
Total	<u>367,668,523.46</u>	<u>17,409,809.51</u>	<u>350,258,713.95</u>	<u>460,357,029.68</u>	<u>9,130,777.28</u>	<u>451,226,252.40</u>

(2) Provision for inventory impairment:

<u>Items</u>	<u>Beginning Balance of carrying value</u>	<u>Provision for impairment</u>	<u>Decrease during the year</u>		<u>Ending balance of carrying value</u>	<u>Proportion of reversal in its ending balance %</u>
			<u>Reversal</u>	<u>Write off</u>		
Raw material	6,624,807.61	7,477,471.09	0.00	3,111,783.21	10,990,495.49	0.00
self-manufactured semi-finished goods	0.00	3,490,054.78	0.00	0.00	3,490,054.78	0.00
Finished goods	<u>2,505,969.67</u>	<u>2,929,259.24</u>	<u>0.00</u>	<u>2,505,969.67</u>	<u>2,929,259.24</u>	<u>0.00</u>
Total	<u>9,130,777.28</u>	<u>13,896,785.11</u>	<u>0.00</u>	<u>5,617,752.88</u>	<u>17,409,809.51</u>	<u>0.00</u>

(3) The amount of provision for inventory impairment calculated basis on the differences between inventory carrying value on 31 December 2009, and the net realisable value . The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes and dues.

(4) An increase of 90.67% of provision for inventory impairment loss of ending balance compare with beginning balance is caused by increased obsolete material of partial inventories, that affect by the Financial Crisis and enterprise optimize the products structure.

8、 Available-for-sale financial assets

(1) Circumstance of available-for-sale financial assets:

<u>Item</u>	<u>Fair value on the year end</u>	<u>Fair value on the year beginning</u>
Available-for-Sale equity instrument	<u>293,630.40</u>	<u>109,771.20</u>
Total	<u>293,630.40</u>	<u>109,771.20</u>

(2) Available-for-sale financial assets arise from the Company's investment in Shanghai Join Buy Co., Ltd. which does not provide the Company with either control, joint control or significant influence over the investee company. The difference between the fair value and the carrying amount of the investment is recognised in Capital reserves after deducting applicable income taxes.

9、 Long-term account receivable

(1) Circumstance of the long-term account receivable:

Items	Ending balance			Beginning Balance		
	Book value	Provision for bad debts	Carrying value	Book value	Provision for bad debts	Carrying value
Installment receivable	104,911,916.92	0.00	104,911,916.92	69,991,126.07	1,503,237.14	68,487,888.93
of transferred assets						
Less : unrealized financing profits	<u>5,250,833.36</u>	<u>0.00</u>	<u>5,250,833.36</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>99,661,083.56</u>	<u>0.00</u>	<u>99,661,083.56</u>	<u>69,991,126.07</u>	<u>1,503,237.14</u>	<u>68,487,888.93</u>

(2) The nature of amount RMB 40,106,220.40 of installment receivable is TKL transfer operating assets and business opportunity to Shanghai Sigma Metals, Inc, please refer X.4 for details.

10、 Long-term equity investment

(1) Circumstance of the long-term equity investment

Name of investee company	Beginning Balance	Changes in current year	Ending balance	Provision for impairment	Provision for impairment loss for current year
Long-term equity investment adopt the cost method:					
Xiamen Institute of Foreign Investment Enterprise	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>	<u>0.00</u>	<u>0.00</u>

Supplementary statement:

Name of investee company	Initial investment cost	proportion of shareholding %	proportion of voting rights%	Explanation for the difference between shareholding proportion and voting rights proportion	Cash dividend during current year
Long-term equity investment adopt the cost method:					
Xiamen Institute of Foreign Investment Enterprise	<u>40,000.00</u>	1.48	1.48		<u>7,500.00</u>
Total	<u>40,000.00</u>				<u>7,500.00</u>

11、Investment property

(1) Investment property adopt the cost model:

Items	Balance on 31 Dec 2008	Increment	Decrement	Balance on 31 Dec 2009
I. Total book values:	<u>67,534,204.94</u>	<u>0.00</u>	<u>579,836.70</u>	<u>66,954,368.24</u>
1. Buildings and structures	67,534,204.94	0.00	579,836.70	66,954,368.24
2. Land use rights	0.00	0.00	0.00	0.00
II. Total accumulated depreciation and accumulated amortization:	<u>30,079,317.83</u>	<u>3,484,497.59</u>	<u>275,651.65</u>	<u>33,288,163.77</u>
1. Buildings and structures	30,079,317.83	3,484,497.59	275,651.65	33,288,163.77
2. Land use rights	0.00	0.00	0.00	0.00
III. Total net value :	<u>37,454,887.11</u>			<u>33,666,204.47</u>
1. Buildings and structures	37,454,887.11			33,666,204.47
2. Land use rights	0.00			0.00
IV. Total accumulated impairment loss:	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
1. Buildings and structures	0.00	0.00	0.00	0.00
2. Land use rights	0.00	0.00	0.00	0.00
V. Total carrying value:	<u>37,454,887.11</u>			<u>33,666,204.47</u>
1. Buildings and structures	37,454,887.11			33,666,204.47
2. Land use rights	0.00			0.00

(2) As at current year end , The prvision for depreciation and amortization of investment property is RMB 3,484,497.59.

12、Fixed assets

(1) Circumstance of fixed assets

Items	Balance on 31 Dec 2008	Increment	Decrement	Balance on 31 Dec 2009
i . Total book values:	<u>2,899,876,630.13</u>	<u>25,258,888.66</u>	<u>389,460,406.37</u>	<u>2,535,675,112.42</u>
Buildings and structures	136,021,801.61	1,064,893.41	0.00	137,086,695.02
Machineries and equipments	809,742,834.05	831,684.45	287,884,508.21	522,690,010.29
Electronic device, Modules and Others	1,840,315,843.39	19,743,156.67	95,747,319.20	1,764,311,680.86
Vehicles	54,543,057.24	309,775.44	5,066,728.96	49,786,103.72
Capitalized improvment expense of leased fixed assets	59,253,093.84	3,309,378.69	761,850.00	61,800,622.53
ii . Total accumulated depreciation	<u>2,073,415,357.97</u>	<u>172,266,090.87</u>	<u>308,309,404.98</u>	<u>1,937,372,043.86</u>
Buildings and structures	63,718,812.42	3,045,882.05	0.00	66,764,694.47
Machineries and equipments	415,624,712.98	47,040,362.33	213,821,163.27	248,843,912.04
Electronic device, Modules and Others	1,533,711,373.55	113,760,645.57	89,978,346.73	1,557,493,672.39
Vehicles	44,193,091.78	2,585,646.73	4,303,427.65	42,475,310.86
Capitalized improvment expense	16,167,367.24	5,833,554.19	206,467.33	21,794,454.10

<u>Items</u>	<u>Balance on 31 Dec 2008</u>	<u>Increment</u>	<u>Decrement</u>	<u>Balance on 31 Dec 2009</u>
of leased fixed assets				
iii. Total net value :	<u>826,461,272.16</u>			<u>598,303,068.56</u>
Buildings and structures	72,302,989.19			70,322,000.55
Machineries and equipments	394,118,121.07			273,846,098.25
Electronic device, Modules and Others	306,604,469.84			206,818,008.47
Vehicles	10,349,965.46			7,310,792.86
Capitalized improvment expense of leased fixed assets	43,085,726.60			40,006,168.43
iv. Total accumulated impairment loss:	<u>62,368,653.65</u>	<u>23,715,224.93</u>	<u>7,450,957.91</u>	<u>78,632,920.67</u>
Buildings and structures	0.00	0.00	0.00	0.00
Machineries and equipments	20,625,867.39	16,082,667.20	3,154,301.23	33,554,233.36
Electronic device, Modules and Others	40,854,730.33	6,515,890.32	4,290,641.23	43,079,979.42
Vehicles	66,319.84	623,370.19	5,082.20	684,607.83
Capitalized improvment expense of leased fixed assets	821,736.09	493,297.22	933.25	1,314,100.06
v. Total carrying value:	<u>764,092,618.51</u>			<u>519,670,147.89</u>
Buildings and structures	72,302,989.19			70,322,000.55
Machineries and equipments	373,492,253.68			240,291,864.89
Electronic device, Modules and Others	265,749,739.51			163,738,029.05
Vehicles	10,283,645.62			6,626,185.03
Capitalized improvment expense of leased fixed assets	42,263,990.51			38,692,068.37

(2) The increased provision for impairment of fixed assets is RMB23,715,224.93, that is mainly due to provision for the impairment of idle assets by the subsidiary (TKL); The decreased provision for impairment of fixed assets is RMB 7,450,957.91, that is mainly due to reverse fixed assets impairment loss that belong to those fixed assets sold to satellite factories. The provision for impairment loss is estimated base on judgment of external evaluation institution and the assessment result of the Company's internal production department、 technology department and equipment management department.

(3) During current period, the amount of fixed assets that are transferred from completion of construction in progress is RMB 5,994,828.94.

(4) The increased accumulated depreciation includes RMB 172,240,448.55 was provided in current year.

(5) Details of temporary idle assets:

<u>Items</u>	<u>Book value</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Carrying value</u>	<u>Estimated start use date</u>
Machineries and equipments	70,186,643.55	25,738,960.50	28,595,242.43	15,852,440.62	October 2010
Electronic device, Modules and Others	3,760,478.06	1,385,109.58	2,081,642.82	293,725.66	October 2010
Vehicles	1,040,937.02	758,958.87	17,960.69	264,017.46	October 2010
Capitalized improvement expense of fixed assets	<u>278,000.00</u>	<u>78,096.30</u>	<u>59,128.92</u>	<u>140,774.78</u>	October 2010
Total	<u>75,266,058.63</u>	<u>27,961,125.25</u>	<u>30,753,974.86</u>	<u>16,550,958.52</u>	

(6) Details of assets held for sale as at the end of the period:

<u>Assets name</u>	<u>Book value</u>	<u>Fair value</u>	<u>Estimated costs to sale</u>	<u>Estimated date of sale</u>
Machineries and equipments	2,951,615.21	3,170,231.10	104,405.22	January 2010
Electronic device, Modules and Others	<u>2,708.89</u>	<u>3,461.00</u>	<u>66.56</u>	January 2010
Total	<u>2,954,324.10</u>	<u>3,173,692.10</u>	<u>104,471.78</u>	

(7) The Company has no finance leased fixed assets during current period.

(8) Details of fixed assets leasing out by operating lease:

<u>Items</u>	<u>Book value</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Net value</u>
Machineries and equipments	12,789,829.42	4,915,273.12	0.00	7,874,556.30
Electronic device, Modules and Others	<u>77,705.70</u>	<u>73,695.19</u>	<u>135.51</u>	<u>3,875.00</u>
Total	<u>12,867,535.12</u>	<u>4,988,968.31</u>	<u>135.51</u>	<u>7,878,431.30</u>

(9) Details of fixed assets which have not completed the process of property right certificate:

<u>Item</u>	<u>Book value</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Net value</u>	<u>Reasons</u>
Qingying garden	1,957,670.50	264,286.44	0.00	1,693,384.06	Being processed

(10) The Company has no pledged and warranted fixed assets during current period.

13. Construction in progress

(1) Details of construction in progress

Items	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Installation equipments	0.00	0.00	0.00	58,630.00	0.00	58,630.00
Work in progress Modules	905,086.98	0.00	905,086.98	2,967,294.68	0.00	2,967,294.68
Renovation project	<u>3,750,934.04</u>	<u>0.00</u>	<u>3,750,934.04</u>	<u>398,415.73</u>	<u>0.00</u>	<u>398,415.73</u>
Total	<u>4,656,021.02</u>	<u>0.00</u>	<u>4,656,021.02</u>	<u>3,424,340.41</u>	<u>0.00</u>	<u>3,424,340.41</u>

(2) Changes in construction in progress:

Project name	Budget value	Beginning balance	Increment	Transferred to Fixed assets	Other decrement	Ending balance
Installation equipments	0.00	58,630.00	49,674.54	85,540.00	22,764.54	0.00
Work in progress Modules	3,078,114.60	2,967,294.68	2,304,229.60	4,149,159.97	217,277.33	905,086.98
Renovation project	<u>4,274,733.81</u>	<u>398,415.73</u>	<u>5,112,647.28</u>	<u>1,760,128.97</u>	<u>0.00</u>	<u>3,750,934.04</u>
Total	<u>7,352,848.41</u>	<u>3,424,340.41</u>	<u>7,466,551.42</u>	<u>5,994,828.94</u>	<u>240,041.87</u>	<u>4,656,021.02</u>

Supplementary statement:

Project name	Project input over its budget %	Achieved project schedule%	Accumulated interest capitalization	Including: interest capitalization during current period	Rate of interest capitalization%	Sources of financing
Installation equipments	100	100	0.00	0.00	0.00	Self-owned
Work in progress Modules	29.40	29.40	0.00	0.00	0.00	Self-owned
Renovation project	87.75	87.75	0.00	0.00	0.00	Self-owned

(3) The decreased Work in progress Modules includes RMB 217,277.33, that is mainly due to liquidate modules caused by failure of develop modules.

14. Intangible assets and accumulated amortization

(1) Circumstance of intangible assets:

Items	Balance on 31 Dec 2008	Increment	Decrement	Balance on 31 Dec 2009
i. Total book values:	<u>45,165,918.80</u>	<u>438,962.00</u>	<u>0.00</u>	<u>45,604,880.80</u>
Land use rights	29,560,727.51	0.00	0.00	29,560,727.51
Software	15,605,191.29	438,962.00	0.00	16,044,153.29

<u>Items</u>	<u>Balance on</u> <u>31 Dec 2008</u>	<u>Increment</u>	<u>Decrement</u>	<u>Balance on</u> <u>31 Dec 2009</u>
ii. Total accumulated amortization:	<u>14,572,459.40</u>	<u>3,297,163.17</u>	<u>0.00</u>	<u>17,869,622.57</u>
Land use rights	8,158,283.25	663,822.73	0.00	8,822,105.98
Software	6,414,176.15	2,633,340.44	0.00	<u>9,047,516.59</u>
iii. Total net value :	<u>30,593,459.40</u>			<u>27,735,258.23</u>
Land use rights	21,402,444.26			20,738,621.53
Software	9,191,015.14			6,996,636.70
iv. Total accumulated impairment loss:	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Land use rights	0.00	0.00	0.00	0.00
Software	0.00	0.00	0.00	0.00
v. Total carrying value:	<u>30,593,459.40</u>			<u>27,735,258.23</u>
Land use rights	21,402,444.26			20,738,621.53
Software	9,191,015.14			6,996,636.70

(2) During current year, company's total expenditures used for research and development projects are RMB 91,100,178.34, and recognized as current profit and loss.

15、 Goodwill

<u>Investee name</u>	<u>Beginning balance</u>	<u>Increment</u>	<u>Decrement</u>	<u>Ending balance</u>	<u>Accumulated impairment loss</u>
Shanghai Fanxin	0.00	71,870.08	0.00	71,870.08	0.00
Dalian Canxing Travel	0.00	800,109.01	0.00	800,109.01	0.00
Xiamen Jinyuan	<u>0.00</u>	<u>125,000.00</u>	<u>0.00</u>	<u>125,000.00</u>	<u>0.00</u>
Total	<u>0.00</u>	<u>996,979.09</u>	<u>0.00</u>	<u>996,979.09</u>	<u>0.00</u>

The goodwill was generated through business combination that is not under the same control, please refer IV. 1 (3) for details.

16、 Long-term deferred expense

(1) Details of long-term deferred expense

<u>Items</u>	<u>Beginning balance</u>	<u>Increment</u>	<u>Amortization</u>	<u>Other decrement</u>	<u>Ending balance</u>
Telecommunications engineering	155,458.15	0.00	28,700.04	0.00	126,758.11
SUN computer service fees	341,666.73	0.00	99,999.96	0.00	241,666.77
Internet charges	375,648.00	0.00	104,832.00	0.00	270,816.00
Building renovation expenses	0.00	555,380.86	44,635.48	0.00	510,745.38
Others	<u>0.00</u>	<u>218,202.92</u>	<u>73,354.89</u>	<u>0.00</u>	<u>144,848.03</u>
Total	<u>872,772.88</u>	<u>773,583.78</u>	<u>351,522.37</u>	<u>0.00</u>	<u>1,294,834.29</u>

17、Deferred tax assets and Deferred tax liabilities

(1) Recognized of deferred tax assets and deferred tax liabilities:

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Deferred tax assets:		
Provision for assets impairment	9,476,194.86	7,457,389.62
Accrued expenses	236,363.38	44,298.11
Accrued liabilities	242,847.93	0.00
Deductible losses	20,687,893.77	15,177,213.44
Unrecognized profits from intragroup transactions	<u>63,191.14</u>	<u>0.00</u>
Subtotal	<u>30,706,491.08</u>	<u>22,678,901.17</u>
Deferred tax liabilities:		
Held for trading financial assets	238,299.21	0.00
Unrealized exchange gain or loss	0.00	622,195.82
Fair value changes of available-for-sale financial assets that recognized into capital reserves	<u>57,844.69</u>	<u>14,232.82</u>
Subtotal	<u>296,143.90</u>	<u>636,428.64</u>

(2) Details of unrecognized deferred tax assets:

<u>Items</u>	<u>Ending balance</u>	<u>Remarks</u>
Provision for impairment of fixed assets	3,263,013.69	
Provision for bad debts	6,240,484.88	
Accrued expenses	1,601,151.63	
Provision for impairment of inventories	2,601,345.65	
Recoverable losses	63,840,001.95	
Provision for long term equity investment	<u>32,661,635.73</u>	
Total	<u>110,207,633.53</u>	

(3) The deductible losses of unrecognized deferred tax assets in the following years at maturity:

<u>Particular Year</u>	<u>Amount</u>	<u>Remarks</u>
Year 2010	53,566,568.41	
Year 2011	94,764,749.04	
Year 2012	14,801,789.69	
Year 2013	76,564,555.43	
Year 2014	<u>20,800,260.12</u>	
Total	<u>260,497,922.69</u>	

(4) Details of temporary differences:

<u>Items</u>	<u>Deductible temporary differences</u>	<u>Taxable temporary differences</u>
Provision for fixed assets impairment	62,697,198.04	0.00
Provision for inventory impairment	67,505.21	0.00
Provision for bad debts	218,955.43	0.00
Accrued expenses	945,453.51	0.00
Accrued liabilities	1,618,986.20	0.00
Recoverable losses	137,919,291.76	0.00
Unrecognized profits from intragroup transactions	252,764.56	0.00
Held for trading financial assets	0.00	1,588,661.38
Available-for-sale financial assets	<u>0.00</u>	<u>262,930.40</u>
Total	<u>203,720,154.71</u>	<u>1,851,591.78</u>

18、Provision for assets impairment

<u>Items</u>	<u>Beginning balance</u>	<u>Increment</u>	<u>Decrement</u>		<u>Ending balance</u>
			<u>Reversal</u>	<u>Write-off</u>	
1. Provision for bad debts	61,683,769.00	0.00	8,894,303.22	11,926,946.02	40,862,519.76
2. Provision for inventory impairment	9,130,777.28	13,896,785.11	0.00	5,617,752.88	17,409,809.51
3. Provision for fixed assets impairment	<u>62,368,653.65</u>	<u>23,715,224.93</u>	<u>0.00</u>	<u>7,450,957.91</u>	<u>78,632,920.67</u>
Total	<u>133,183,199.93</u>	<u>37,612,010.04</u>	<u>8,894,303.22</u>	<u>24,995,656.81</u>	<u>136,905,249.94</u>

19、Notes payable

(1) Categories:

<u>Items</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Bank acceptance notes	51,915,747.08	104,065,444.40
Commercial acceptance notes	<u>4,454,563.31</u>	<u>73,531,316.49</u>
Total	<u>56,370,310.39</u>	<u>177,596,760.89</u>

(2) The amount RMB 56,370,310.39 will mature in next reporting period.

(3) There is no Notes payable balance due to shareholders who own five or over five percent voting rights as at December 31, 2009.

20、Accounts payable

(1) Age analysis:

<u>Age</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Within 1 year	835,886,016.04	750,391,401.61
Over 1 year	<u>1,292,740.42</u>	<u>4,014,554.37</u>
Total	<u>837,178,756.46</u>	<u>754,405,955.98</u>

(2) The details of accounts payable, which is significant and the account's age more than one year:

<u>Company name</u>	<u>Balance</u>	<u>Age</u>	<u>Outstanding reasons</u>	<u>Repayment after the balance sheet date</u>
Xiamen Zhicheng electrotechnics materials Co., Ltd	352,222.04	1-2years	Temporary outstanding	0.00
Fujian Huafa industry Co., Ltd	190,549.21	1-2years	Temporary outstanding	0.00
Boteng(Xiamen) plastic dyestuff Co., Ltd	59,396.31	1-2years	Temporary outstanding	0.00
Yuyao city Jinri industrial and trading Co., Ltd	54,830.94	1-2years	Temporary outstanding	0.00
Xiamen Jingdong material supply Co., Ltd	<u>35,385.00</u>	1-2years	Temporary outstanding	<u>0.00</u>
Total	<u>692,383.50</u>			<u>0.00</u>

(3) There is no Accounts payable balance due to shareholders who own five or over five percent voting rights as at December 31, 2009.

(4) Details of accounts payable balance due to related parties:

<u>Company name</u>	<u>Nature of balance</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Xiamen Shengming Electronic Co., Ltd	material purchase	14,449,316.58	411,418.86
Tsann Kuen Enterprise Co., Ltd	material purchase	8,175,417.39	13,633,806.27
TKJ	material purchase	46,125.02	1,242,838.44
Canxing Travel Network Travel Service Co., Ltd	acceptance services	<u>931,880.09</u>	<u>0.00</u>
Total		<u>23,602,739.08</u>	<u>15,288,063.57</u>

21、Advanced from customers

(1) Age analysis:

<u>Age</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Within 1 year	12,685,219.10	20,285,350.06
Over 1 year	<u>1,994,798.83</u>	<u>1,166,879.95</u>
Total	<u>14,680,017.93</u>	<u>21,452,230.01</u>

(2) The details of advanced from customers, which is significant and the account's age more than one year:

<u>Company name</u>	<u>Balance</u>	<u>Age</u>	<u>Reasons of outstanding</u>
Malongo	624,042.85	1-2years	Temporary outstanding
KOIZUMI SEIKI	222,467.04	1-2years	Temporary outstanding
Woodstream	136,068.18	1-2years	Temporary outstanding
NIKAI	131,462.31	1-2years	Temporary outstanding
GRUPO DAKA	<u>101,127.99</u>	2-3years	Temporary outstanding
Total	<u>1,215,168.37</u>		

(3) There is no Advanced from customers balance due to shareholders who own five or over five percent voting rights as at December 31, 2009.

(4) Details of advanced from customers balance due to related parties:

<u>Company name</u>	<u>Nature of balance</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Xiamen Shengming Electronic Co., Ltd		0.00	193.02
Canxing Travel Network Travel Service Co., Ltd	provide labor service	<u>8,585.00</u>	<u>0.00</u>
Total		<u>8,585.00</u>	<u>193.02</u>

22、 Payroll payables

(1) Details:

<u>Items</u>	<u>Balance on 31 Dec 2008</u>	<u>Increased provision</u>	<u>Payment</u>	<u>Balance on 31Dec 2009</u>
1.Salary, bonus and allowance	30,329,618.43	278,991,644.16	271,206,414.86	38,114,847.73
2.Employee welfare	0.00	9,250,812.89	9,250,812.89	0.00
3.Social insurance:	11,113,996.43	20,816,709.95	29,560,590.98	2,370,115.40
Including:①Medical insurance	580,647.53	6,075,469.95	6,619,130.83	36,986.65
②Basic retirement insurance	9,155,979.17	11,199,775.69	18,148,998.06	2,206,756.80
③Annuity fee	0.00	0.00	0.00	0.00
④Unemployment insurance	901,235.88	914,119.92	1,691,094.96	124,260.84
⑤Injury insurance	340,197.60	1,823,053.71	2,162,273.16	978.15
⑥Pregnancy insurance	135,936.25	804,290.68	939,093.97	1,132.96
4.Housing accumulation fund	7,226,224.15	7,025,103.53	5,901,275.04	8,350,052.64
5. Retire welfare	0.00	0.00	0.00	0.00
6.Labour union fee and employee education fee	0.00	72,362.15	72,362.15	0.00
7.Non-monetary welfare	0.00	0.00	0.00	0.00
8.Redemption for termination of labor contract	132,000.00	177,589.00	215,363.00	94,226.00
9.Others:	3,800.00	2,060,488.54	2,064,059.82	228.72
Including: share payment by cash	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>48,805,639.01</u>	<u>318,394,710.22</u>	<u>318,270,878.74</u>	<u>48,929,470.49</u>

(2) As at 31 December 2009, there is no payroll balance belongs to default amount.

(3) The ending balance of payroll payable is provided salaries and bonuses for December 2009, that has been paid in January 2010.

23、 Tax payable

<u>Types</u>	<u>Balance on</u>	<u>Balance on</u>
	<u>31Dec 2009</u>	<u>31 Dec 2008</u>
Business Tax	390,381.59	1,105,750.68
Corporation Tax	-3,623,398.06	-4,438,943.55
VAT	21,167,220.69	26,021,612.62
Withholding of individual income tax	447,572.36	304,432.16
Education Surcharge	258,075.90	159,778.99
Urban construction tax	2,836.34	0.00
Others	<u>21,448,449.29</u>	<u>21,125,967.93</u>
Total	<u>40,091,138.11</u>	<u>44,278,598.83</u>

24、 Other accounts payable

(1) Age analysis

<u>Age</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Within 1 year	252,504,997.57	395,710,661.53
Over 1 year	<u>4,026,706.32</u>	<u>543,311.60</u>
Total	<u>256,531,703.89</u>	<u>396,253,973.13</u>

(2) The details of other accounts payable, which is significant and the account's age more than one year:

<u>Company name</u>	<u>Balance</u>	<u>Age</u>	<u>Outstanding reasons</u>	<u>Repayment after the balance sheet date</u>
Fujian Province Zhangzhou SIGMA Metal,INC	800,000.00	1-2years	guarantee deposit	0.00
Xiamen Hexing Package & Print Co., Ltd	348,720.00	1-2years	guarantee deposit	0.00
Guangdong Weihe Electric Co., Ltd.	300,000.00	1-2years	guarantee deposit	0.00
TOSHIBA HOME TECHHNOLOGY CORPORATION	258,989.50	1-2years	Re-inspection charges	0.00
Rijin Electric Wire Co., Ltd	<u>212,000.00</u>	1-2years	guarantee deposit	<u>0.00</u>
Total	<u>1,919,709.50</u>			<u>0.00</u>

(3) The details of other account receivable balance due to shareholders who own five or over five percent voting rights as at December 31, 2009:

<u>Company name</u>	<u>Nature of balance</u>	<u>Ending balance</u>	<u>Beginning balance</u>
EUPA (Hongkong) Industry Co., Ltd	Capital absorbed and loan	157,261,700.00	157,195,800.00
Fordchee (Hongkong) CO., Ltd	Capital absorbed and loan	0.00	82,015,200.00
Hongkong Fillman investment Co.,Ltd	Capital absorbed and loan	0.00	34,173,000.00
Canxing Netcom,INC	Technology rewards	<u>4,191,646.31</u>	<u>0.00</u>
Total		<u>161,453,346.31</u>	<u>273,384,000.00</u>

(4) Details of other accounts payable balance due to related parties:

<u>Company name</u>	<u>Nature of balance</u>	<u>Ending balance</u>	<u>Beginning balance</u>
Tsann Kuen(USA) Co., Ltd	Sales commission	148,076.26	423,167.88
TKJ	Material purchase and sales commission	4,254,113.80	1,980,480.74
Xiamen Shengming Electronic Co., Ltd	Material purchase	102,407.11	49,515.15
EUPA (Hongkong) Industry Co., Ltd	Capital absorbed and loan	157,261,700.00	157,195,800.00
Fordchee (Hongkong) CO., Ltd	Capital absorbed and loan	0.00	82,015,200.00
Hongkong Fillman investment Co.,Ltd	Capital absorbed and loan	0.00	34,173,000.00
Tsann Kuen Enterprise Co.,Ltd	Technology rewards	4,017,049.76	17,482,751.86
Canxing Netcom,INC	Technology rewards	4,191,646.31	0.00
Canxing Travel Network Travel Service Co., Ltd	Provide labor charges	<u>150,220.40</u>	<u>0.00</u>
Total		<u>170,125,213.64</u>	<u>293,319,915.63</u>

25、 Non-current liability due within one year

(1) Category:

<u>Item</u>	<u>Balance on</u> <u>31Dec 2009</u>	<u>Balance on</u> <u>31 Dec 2008</u>
Long-term borrowing due within one year	<u>68,282,000.00</u>	<u>0.00</u>
Total	<u>68,282,000.00</u>	<u>0.00</u>

(2) Long-term borrowing due within one year

① Categories of long-term borrowing due within one year :

<u>Types</u>	<u>Balance on</u> <u>31Dec 2009</u>	<u>Balance on</u> <u>31 Dec 2008</u>
Pledge loan	<u>68,282,000.00</u>	<u>0.00</u>
Total	<u>68,282,000.00</u>	<u>0.00</u>

② The top five balance of long-term borrowing due within one year :

Creditors	The start date	The termination date	Currency	Rate%	Balance on 31Dec 2009		Balance on 31 Dec 2008	
					Original Currency	Presentation Currency	Original Currency	Presentation Currency
The Bank of East Asia (China), Xiamen branch	2007-2-9	2010-1-15	USD	Please refer V 26 (3) for details	10,000,000.00	68,282,000.00	0.00	0.00
Total					<u>10,000,000.00</u>	<u>68,282,000.00</u>	<u>0.00</u>	<u>0.00</u>

26、 Long-term Loans

(1) Types of long-term loans:

Types	Balance on 31 Dec 2009	Balance on 31 Dec 2008
Guaranteed loan	0.00	68,346,000.00
Total	<u>0.00</u>	<u>68,346,000.00</u>

(2) The loans are guaranteed by the irrevocable standby letter of guarantee issued by The Bank of East Asia (China), Macau branch, which is applied by Tsann Kuen Enterprise Co., Ltd. with the beneficiary being The Bank of East Asia (China), Xiamen branch, and conditioned by that the guarantee amount shall not lower than loan amount.

During the accounting period, The Bank of East Asia (China), Xiamen branch cancelled the Company's guarantee, then to a subsidiary Zhangzhou Cankun as a grantor, signed the maximum amount pledge contract with The Bank of East Asia (China), Xiamen branch, which authorises that the fixed deposit USD 10,000,000.00 is used as a pledge to guarantee debt, with the pledge period from 29 October 2009 to 15 January 2010.

(3) The borrowing for USD10, 000,000.00 is from the Bank of East Asia, Xiamen branch, and the designated interest rate is LIBOR 3M, floating upward 0.6%.

27、 Accrued liabilities

Item	Balance on 31 Dec 2008	Increment	Decrement	Balance on 31 Dec 2009
Assurance for products procurement quantity	0.00	1,618,986.20	0.00	1,618,986.20
Total	<u>0.00</u>	<u>1,618,986.20</u>	<u>0.00</u>	<u>1,618,986.20</u>

The amount of Accrued liability is an assurance contract signed by the subsidiary TKL and suppliers, according to the contract, if the Company's products procurement quantity lower than the agreed standard, the Company shall be paid compensations. Please refer VII.3 for details.

28、 Other non-current liabilities

Item	Balance on 31 Dec 2009	Balance on 31 Dec 2008
Unrealized profits of installment receivable of transferred assets	40,106,220.40	43,400,202.15
Total	<u>40,106,220.40</u>	<u>43,400,202.15</u>

The balance of other non-current liabilities is the unrealized profits(RMB 40,106,220.40) caused by the TKL and Shanghai Sigma Metals, Inc transferred assets and business opportunities. Please refer to X . 4 for details.

29、Share Capital

Items	Chang in current year (+, -)						Unit: share
	Balance on 31 Dec 2008	Allotment of shares	Bonus shares	Transfer reserves into shares	Others	Subtotal	Balance on 31Dec 2009
1、 Unlisted shares							
(1) Sponsor shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by states	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by domestic legal persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by overseas legal persons	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
(2) Raising shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(3) Internal staff shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(4) preference shares or others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including: Allotment of shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Unlisted shares	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
2、 Listed shares							
Domestically listed foreign shares	1,112,350,077.00	0.00	0.00	0.00	0.00	0.00	1,112,350,077.00
Including: Executives shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Listed shares	<u>1,112,350,077.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,112,350,077.00</u>
3、 Restricted listed shares	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
4、 Total shares	<u>1,112,350,077.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,112,350,077.00</u>

The aforesaid shares are listed with face value RMB 1.00 per share. There is no change of total shares during the report period.

30、 Capital Reserves

Category	Balance on 31 Dec 2008	Increment	Decrement	Balance on 31Dec 2009
Share premium	62,019,360.00	0.00	0.00	62,019,360.00
Other capital reserves	<u>63,054,383.50</u>	<u>140,247.33</u>	<u>0.00</u>	<u>63,194,630.83</u>
Total	<u>125,073,743.50</u>	<u>140,247.33</u>	<u>0.00</u>	<u>125,213,990.83</u>

The increment in capital reserve is due to changes in fair value of available-for-sale financial assets for the year.

31、Undistributed profits

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Balance at the end of the year of 2008(Before adjustment)	-893,107,158.60	-935,643,358.89
Total adjustment for the balance at the beginning of the year of 2009	0.00	0.00
Balance at the beginning of the year of 2009(After adjustment)	-893,107,158.60	-935,643,358.89
Add: Current distributable profits for owners	52,759,688.10	42,536,200.29
Less: Appropriation of statutory surplus reserves	0.00	0.00
Appropriation of discretionary surplus reserve	0.00	0.00
Appropriation of normal risk provision	0.00	0.00
Appropriation of ordinary shares dividend	0.00	0.00
Transfer from ordinary shares dividend to share capital	<u>0.00</u>	<u>0.00</u>
Undistributed profits at the end of the year of 2009	<u>-840,347,470.50</u>	<u>-893,107,158.60</u>

32、Operating Revenues and Operating Costs

(1) Operating Revenues

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Main operating incomes	2,688,978,238.26	3,987,579,664.08
Other operating incomes	<u>60,427,962.64</u>	<u>56,051,606.24</u>
Total operating income	<u>2,749,406,200.90</u>	<u>4,043,631,270.32</u>
Main operating Costs	2,328,503,764.11	3,669,146,153.68
Other operating Costs	<u>40,815,357.34</u>	<u>22,522,193.84</u>
Total operating costs	<u>2,369,319,121.45</u>	<u>3,691,668,347.52</u>

(2) Main business (listed according to categories of products)

<u>Products name</u>	<u>For year 2009</u>		<u>For year 2008</u>	
	<u>Operating incomes</u>	<u>Operating Costs</u>	<u>Operating incomes</u>	<u>Operating Costs</u>
Catering and Cooking	1,384,152,881.81	1,157,499,389.71	1,933,213,780.61	1,715,231,812.23
Home helper	961,121,054.46	876,428,460.67	1,472,189,053.75	1,404,624,282.31
Tea/Coffee	303,297,842.52	265,524,360.29	546,209,365.64	517,586,146.48
Others	<u>40,406,459.47</u>	<u>29,051,553.44</u>	<u>35,967,464.08</u>	<u>31,703,912.66</u>
Total	<u>2,688,978,238.26</u>	<u>2,328,503,764.11</u>	<u>3,987,579,664.08</u>	<u>3,669,146,153.68</u>

(3) Main business (listed according to different districts)

<u>Area</u>	<u>For year 2009</u>		<u>For year 2008</u>	
	<u>Operating incomes</u>	<u>Operating Costs</u>	<u>Operating incomes</u>	<u>Operating Costs</u>
Australia	193,504,509.08	165,468,518.89	354,440,287.96	327,498,128.32
Africa	17,297,790.67	14,575,729.81	19,079,901.41	16,269,447.54
America	1,243,625,966.70	1,057,069,879.74	1,884,779,623.84	1,710,779,908.09
Europe	476,760,331.75	431,404,516.47	921,530,819.94	870,804,688.45
Asia	<u>757,789,640.06</u>	<u>659,985,119.19</u>	<u>807,749,030.93</u>	<u>743,793,981.28</u>
Total	<u>2,688,978,238.26</u>	<u>2,328,503,764.11</u>	<u>3,987,579,664.08</u>	<u>3,669,146,153.68</u>

(4) Details of operating revenues from top five clients:

<u>Client name</u>	<u>Operating incomes</u>	<u>Proportion to total operating incomes%</u>
Applica ConsumerProducts Inc	408,040,367.09	14.84
Sunbeam Corporation Limited	311,474,466.24	11.33
ZOJIRUSHI CORPORATION	221,530,098.58	8.06
Conair Corporation	201,882,215.79	7.34
TKJ	<u>198,104,927.82</u>	<u>7.21</u>
Total	<u>1,341,032,075.52</u>	<u>48.78</u>

33、Business tax and surtax

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>	<u>Tax(Fees) rate</u>
Business tax	2,282,000.12	1,674,880.85	5%
Education surcharge	2,237,463.31	2,268,625.95	1%、3%
Others	<u>14,299.32</u>	<u>13,758.59</u>	
Total	<u>4,533,762.75</u>	<u>3,957,265.39</u>	

The provision standard for tax refer to III – Taxation for details.

34、Financial expenses

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Interest expenses	2,812,891.90	22,354,169.51
Less: Interest Incomes	3,828,633.91	7,786,873.68
Less: Realized financing gains	2,752,741.59	0.00
Exchange gain (or loss)	-3,291,926.11	-20,329,875.25
Bank charges	<u>5,395,156.87</u>	<u>8,927,712.30</u>
Total	<u>-1,665,252.84</u>	<u>3,165,132.88</u>

35、Assets impairment loss

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Bad debts	-8,894,303.22	11,679,686.58
Inventories impairment loss	13,896,785.11	5,524,167.23
Fixed assets impairment loss	23,715,224.93	27,579,192.03
Construction in progress impairment loss	<u>0.00</u>	<u>668,101.76</u>
Total	<u>28,717,706.82</u>	<u>45,451,147.60</u>

36、Gains from fluctuation in fair values

<u>Source of Gains from fluctuation in fair values</u>	<u>For year 2009</u>	<u>For year 2008</u>
Held for trading financial assets	<u>1,588,661.38</u>	<u>-23,027,900.00</u>
Including: Derivative financial assets	1,588,661.38	-23,027,900.00
Total	<u>1,588,661.38</u>	<u>-23,027,900.00</u>

37、Investment income

<u>Source of investment income</u>	<u>For year 2009</u>	<u>For year 2008</u>
Held for trading financial assets	-4,150,650.94	35,356,944.00
Gains from disposal of investment in subsidiaries	0.00	-2,466,039.88
Others	<u>-45,605.91</u>	<u>0.00</u>
Total	<u>-4,196,256.85</u>	<u>32,890,904.12</u>

38、Non-operating income

(1) Details of non-operating income:

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Gains from disposal of non-current assets	14,658,600.23	17,176,721.56
Including: Gains from disposal of fixed assets	14,658,600.23	17,176,721.56
Income from penalties	226,852.86	498,162.78
Income from indemnities	169,773.98	915,206.89
Government grants	10,590,046.93	1,150,439.00
Donation income	0.00	700,000.00
Liquidation income	0.00	12,463,434.91
Unable to pay the overdue accounts payable	290,889.81	2,527,323.58
Charges for withholding corporation tax	811,581.59	0.00
Others	<u>1,603,242.62</u>	<u>1,519,318.12</u>
Total	<u>28,350,988.02</u>	<u>36,950,606.84</u>

(2) Government Grants

Items	For year 2009	For year 2008	Approval Documents	Approval organ
International market development funds	0.00	500,000.00	Mincaiwei[2008]36	Finance Bureau of Fujian Province
Special funds for patent	281,800.00	179,000.00	Xiacaijiao(2006)22	Intellectual property Bureau of Xiamen
Structure funds for high-tech product import and export	0.00	200,000.00	Mincaiwei[2007]72	Finance Bureau of Fujian Province
Part-time study/ Functional identification	0.00	90,000.00	Zhangcaijiao【2008】7号; Zhangcai (she) zhi【2007】11	Education Bureau/Labour Bureau of Longhai City
Construct CNC processing base	0.00	48,000.00	Science and technology projects planning contract, Zhangzhou city	Accounting Center of Zhangzhou City
Technology bouns income	0.00	20,000.00	Longkezi (2007) 6、Longcaijiao (2007) 151	Science and technology Bureau of Longhai City
Special funds for export commodity tax refund	1,463,800.00	113,439.00	Zhangcaiwei【2009】41	Finance Bureau of Zhangzhou City /Finance Bureau of Fujian Province
Subsidies for export letter guarantees	4,794,696.93	0.00	Minwaijingmaojicai【2008】104	Finance Bureau of Zhangzhou City / Ministry of Foreign Trade and Economic Cooperation, zhangzhou
Foreign trade development fund to subsidize	2,796,300.00	0.00	Zhangcaiwei【2009】6 / Zhangcaiwei【2009】26	Finance Bureau of Zhangzhou City / Ministry of Foreign Trade and Economic Cooperation, zhangzhou
Subsidies for technical innovation and informatization project	500,000.00	0.00	Zhangjingmao【2006】263	Finance Bureau of Longhai City
Subsidies for encourage productivity centre	100,000.00	0.00		Fujian Province encourage productivity centre
Allowance for petty credit business	3,450.00	0.00		Accounting Center of Zhangzhou City
Reward as Xiamen intellectual property demonstration enterprise	50,000.00	0.00	Xiazhi[2009]3	Intellectual property office of Xiamen
Fund subsidies for maintain rising foreign trade	<u>600,000.00</u>	<u>0.00</u>	Minwaijingmaojicai【2009】84 / Minwaijingmaojicai【2009】92	Finance Bureau of Fujian Province
Total	<u>10,590,046.93</u>	<u>1,150,439.00</u>		

39、 Non-operating expenses

Items	For year 2009	For year 2008
Loss on disposal of non-current assets	1,244,764.83	4,979,524.13
Include: Loss on disposal of fixed assets	1,244,764.83	4,979,524.13
Losses on scrapped fixed assets	232,592.31	1,274,113.73
Losses from physical count of fixed assets	56,804.83	375,178.46
Unrecoverable payment of return goods	0.00	6,040,278.13
Fines	461.26	37,736.77
Donation	1,300,000.00	3,730,000.00
Others	<u>180,661.12</u>	<u>290,976.47</u>
Totals	<u>3,015,284.35</u>	<u>16,727,807.69</u>

40、 Income Tax Expense

Items	For year 2009	For year 2008
Income Tax for current year	1,301,808.44	442,284.75
Deferred Income Tax Expense	<u>-8,411,486.52</u>	<u>1,186,435.49</u>
Total	<u>-7,109,678.08</u>	<u>1,628,720.24</u>

41、 Calculation for Basic EPS and Diluted EPS:

Reporting period profits	For year 2009		For year 2008	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders	0.05	0.05	0.04	0.04
Net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses.	0.03	0.03	0.02	0.02

Basic Earnings Per Share = $P_0 \div S$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Including: P_0 : is the net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses; S : is weighted average number of ordinary shares outstanding during the period; S_0 : is the total number of ordinary shares outstanding at the beginning of the period; S_1 : is incremental ordinary shares issued as a result of the conversion of surplus to ordinary shares or distribution of shares dividend; S_i : is incremental ordinary shares issued as a result of the conversion of a debt instrument to ordinary shares or issued new shares; S_j : Decrement shares that are the number of ordinary shares bought back, etc; S_k : is the number of shrink stocks during the reporting period; M_0 : is the number of month during the reporting period; M_i : is the accumulative months that is from the next month of incremental shares to the month of end of reporting period; M_j is the accumulative months that is from the next month of decrement shares to the month of end of reporting period.

Diluted Earnings Per Share = $P_1 / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{weighted average number of increased ordinary shares from Options and warrants, Share options, Convertible debenture, etc})$

Including: P_1 : is the net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses, and need to consider the effects of all dilutive potential ordinary shares, as well as adjusted according to <Enterprise Accounting Standard> and relevant policies.

42、 Other comprehensive gains

Items	For year 2009	For year 2008
1. Profits (or losses) from the available-for-sale financial assets	183,859.20	-140,616.00
Less: Effects on income tax generating from the available-for-sale financial assets	43,611.87	-25,310.88
The amount in current period transferred into profit and loss that recognized into other comprehensive gains in prior period	0.00	0.00
Subtotal	<u>140,247.33</u>	<u>-115,305.12</u>
2. Interest in the investees' other comprehensive gains according to the equity method	0.00	0.00
Less: Effects on income tax generating from the interest in the investees' other comprehensive gains according to the equity method	0.00	0.00
Net value in current period transferred into profit and loss that recognized into other comprehensive gains in prior period	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>
3. Profits (or losses) from cash flow hedging instrument	0.00	0.00
Less: Effects on income tax generating from the cash flow hedging instrument	0.00	0.00
Net value in current period transferred into profit and loss that	0.00	0.00

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
recognized into other comprehensive gains in prior period		
The adjustment value that is the converted initial recognition amount of arbitrage project	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>
4. Converted amount of foreign currency financial statement	-111,317.40	-287,337.63
Less: Net value of disposal of oversea operations that recognized into current profit and loss	0.00	0.00
Subtotal	<u>-111,317.40</u>	<u>-287,337.63</u>
5. Others	0.00	1,291,800.67
Less: Effects on income tax generating from the others that recognized into other comprehensive gains	0.00	0.00
Net value in current period transferred into profit and loss that recognized into other comprehensive gains in prior period	0.00	0.00
Subtotal	<u>0.00</u>	<u>1,291,800.67</u>
Total	<u>28,929.93</u>	<u>889,157.92</u>

43、Notes of cash flow statement

(1) Cash received related to other operating activities

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Government Grant	9,456,662.39	1,150,439.00
Interest Income	3,828,633.91	7,786,873.68
Recovery of security deposit of Notes	0.00	123,223,246.71
Received cash donation	0.00	700,000.00
Fund in current account and others	<u>27,380,458.11</u>	<u>3,328,524.66</u>
Total	<u>40,665,754.41</u>	<u>136,189,084.05</u>

(2) Cash paid related to other operating activities

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Penalties and donations	1,300,000.00	3,767,736.77
Bank commission charges	5,036,920.57	8,927,712.30
Cash paid in selling expenses and administration expenses	188,873,328.71	183,039,502.59
Other cash payment in Current account	0.00	78,325,881.89
Payment of security deposit of Notes	2,573,037.28	0.00
Others	<u>0.00</u>	<u>375,898.51</u>
Total	<u>197,783,286.56</u>	<u>274,436,732.06</u>

(3) Cash paid related to other investing activities

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Settlement of held for trading financial assets	<u>4,150,650.94</u>	<u>0.00</u>
Total	<u>4,150,650.94</u>	<u>0.00</u>

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(4) Cash received related to other financing activities

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Capital absorbed and loan	157,261,700.00	273,384,000.00
Realized financing gains	<u>2,752,741.59</u>	<u>0.00</u>
Total	<u>160,014,441.59</u>	<u>273,384,000.00</u>

(5) Cash paid related to other financing activities

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Capital absorbed and loan	278,977,600.00	0.00
Loan pledge guarantee deposit	<u>71,732,000.00</u>	<u>0.00</u>
Total	<u>350,709,600.00</u>	<u>0.00</u>

44. Supplemental information for cash flow statement**(1) Supplemental information for cash flow statement**

<u>Supplemental information</u>	<u>For year 2009</u>	<u>For year 2008</u>
1. Adjusting net profit to cash flow from operating activities:		
Net profits	71,666,087.29	55,922,405.80
Add: Provision for assets impairment loss	28,717,706.82	45,451,147.60
Depreciation of fixed assets、oil and gas assets and productivity biological assets	175,724,946.14	236,162,046.52
Amortization of intangible assets	3,297,163.17	3,395,673.41
Amortization of Long-term deferred expenses	351,522.37	233,532.04
Loss on disposal of fixed assets、intangible assets and other long-term assets (The gain is listed beginning with “-”)	-13,413,835.40	-11,822,018.97
Losses on scraped fixed assets (The gain is listed beginning with “-”)	289,397.14	1,274,113.73
Losses from fluctuation in fair values (The gain is listed beginning with “-”)	-1,588,661.38	23,027,900.00
Financial costs (The gain is listed beginning with “-”)	-3,231,775.80	2,024,294.26
Losses on investment (The gain is listed beginning with “-”)	4,196,256.85	-32,890,904.12
Decrease of deferred income tax assets (The increase is listed beginning with “-”)	-8,027,589.91	6,396,178.52
Increase of deferred income tax liabilities (The decrease is listed beginning with “-”)	-383,896.61	-5,160,090.06
Decrease of inventories (The increase is listed beginning with “-”)	92,688,506.22	154,492,632.88
Decrease of operating receivables (The increase is listed beginning with “-”)	38,187,350.30	291,702,977.80
Increase of operating payables (The decrease is listed beginning with “-”)	-83,612,320.54	-436,753,474.80
Others	<u>0.00</u>	<u>0.00</u>
Net cash flow arising from operating activities	<u>304,860,856.66</u>	<u>333,456,414.61</u>
2. Significant investment and financing activities that not relate to cash flows:		
Debts convert to capital	0.00	0.00

<u>Supplemental information</u>	<u>For year 2009</u>	<u>For year 2008</u>
1、 Adjusting net profit to cash flow from operating activities:		
Convertible corporate bond due within 1 year	0.00	0.00
Finance leased fixed assets	0.00	0.00
3、 Net increase (decrease) of cash and cash equivalents:		
Ending balance of cash	540,739,906.30	399,276,546.68
Less: Beginning balance of cash	399,276,546.68	393,919,333.68
Add : Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	<u>0.00</u>	<u>0.00</u>
Net increase of cash and cash equivalents	<u>141,463,359.62</u>	<u>5,357,213.00</u>

(2) Details of acquirement or disposal of subsidiaries and other business units

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
I. Relevant informations of acquirement of subsidiaries and other business units:		
1. The price of acquirement of subsidiaries and other business units	3,178,500.00	0.00
2. Cash and cash equivalents payment for acquirement of subsidiaries and other business units	3,178,500.00	0.00
Less: Cash and cash equivalents held by the subsidiaries and other business units	923,071.53	0.00
3. Net cash payment for acquirement of subsidiaries and other business units	2,255,428.47	0.00
4. Net assets value of the acquired subsidiary	2,338,289.05	0.00
Current assets	2,516,290.60	0.00
Non-current assets	45,127.47	0.00
Current liabilities	223,129.02	0.00
Non-current liabilities	0.00	0.00
II. Relevant informations of disposal of subsidiaries and other business units:		
1. The price of disposal of subsidiaries and other business units	0.00	3,764,786.12
2. Cash and cash equivalents received from disposal of subsidiaries and other business units	0.00	3,764,786.12
Less: Cash and cash equivalents held by the subsidiaries and other business units	0.00	2,303,863.33
3. Net cash received from disposal of subsidiaries and other business units	0.00	1,460,922.79
4. Net assets value of the disposal subsidiary	0.00	5,019,714.82
Current assets	0.00	5,029,714.82
Non-current assets	0.00	0.00
Current liabilities	0.00	10,000.00
Non-current liabilities	0.00	0.00

(3) Cash and cash equivalent

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
1、Cash	540,739,906.30	399,276,546.68
Including: Cash on hand	632,553.87	753,580.34
unrestricted bank deposit	500,061,086.54	335,536,344.49
unrestricted other monetary funds	40,046,265.89	62,986,621.85
deposit in central bank	0.00	0.00
Placement in other banks or financial institutions	0.00	0.00
Due to other banks or financial institutions	0.00	0.00
2、Cash equivalents	0.00	0.00
Including: Bond investment due within three month	0.00	0.00
3、Ending balance of cash and cash equivalents	<u>540,739,906.30</u>	<u>399,276,546.68</u>

VI. Related party relationships and transactions

1、Details of the Company's parent company, which has a controlling interest in the Company:

<u>Parent company's name</u>	<u>Relationship with the Company</u>	<u>Type of enterprise</u>	<u>Place of registration</u>	<u>Authorized representative</u>	<u>Nature of business</u>	<u>Registered capital('000)</u>
Tsann Kuen Enterprise Co.,Ltd	Former final holding company	Limited Corporation	Taiwan	Zhuang Xing	Manufacture、 sales electrical equipment	TWD1, 283, 978. 41
Canxing Netcom,INC	Current final holding company	Limited Corporation	Taiwan	Jian derong	Manufacture、 sales electrical equipment	TWD1, 926, 000. 00

Supplementary statement:

<u>Parent company's name</u>	<u>Holding proportion</u>	<u>Voting rights proportion</u>	<u>The Company's final controller</u>	<u>Code of organization</u>
Tsann Kuen Enterprise Co.,Ltd	53.28%	55.13%	TsannKuen Wu	Zi No.09801262490
Canxing Netcom,INC	53.28%	55.13%	TsannKuen Wu	Zi No.09801262480

Up to 31 October 2009 , Tsann Kuen Enterprise Co., Ltd through its subsidiaries EUPA (Hong Kong) Limited, Fordchee Development Limited and Fillman Investment Limited to obtained the Compny's equity shares. And from 1 November 2009, the Canxing Netcom, INC through its subsidiaries EUPA (Hong Kong) Limited, Fordchee Development Limited and Fillman Investment Limited to obtained the Compny's equity shares.

2、 Details of the Company's subsidiaries:

*The monetary unit is ten thousand unless otherwise stated.

<u>Subsidiaries' name</u>	<u>Subsidiaries' type</u>	<u>Type of enterprise</u>	<u>Place of registration</u>	<u>Authorized representative</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Holding proportion (%)</u>	<u>Voting rights proportion (%)</u>	<u>Code of organization</u>
Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.	holding companies	Chinese-foreign joint venture	Zhangzhou	Jian Derong	home appliances manufacture	USD16,000	75.00	75.00	73954770-9
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	holding companies	Chinese-foreign joint venture	Zhangzhou	Jian Derong	home appliances manufacture	RMB500	75.00	75.00	77067325-2
Tsann Kuen (Shanghai) Enterprise Ltd	holding companies	limited liability company	Shanghai	Zhuang Xing	home appliances manufacture	USD4,000	62.50	62.50	607291035
Eupa (Hong Kong) Ltd	wholly-owned subsidiary	limited liability company	Hongkong	Jian Derong	comprehensive	USD290	100.00	100.00	35383887-000-02-08-4
Tsann Kuen (Zhangzhou) Profession and Technology College	holding companies	People-run non-enterprise units	Zhangzhou	Zhu Chengde	secondary vocational education	RMB300	75.00	100.00	79176918-1
Shanghai Canxing Trading Co.Ltd	holding companies	limited liability company	Shanghai	Jian Derong	home appliances sales	RMB500	74.25	99.00	67455210-0
STAR TRAVEL INTERNATIONAL (XIAMEN) CO.,LTD (STIX)	wholly-owned subsidiary	limited liability company	Xiamen	Zhu Chengde	travel business	RMB500	100.00	100.00	67829338-8
Xiamen Canxing Trading Co.,Ltd	holding companies	limited liability company	Xiamen	Dai Huiyuan	home appliances sales	RMB900	73.5075	99.00	68525122-3
Shanghai Fanxin Aviation Service Co.,Ltd	holding companies	limited liability company	Shanghai	Zhu Chengde	ticket agent	RMB150	37.8675	51.00	73408027-3
STAR TRAVEL INTERNATIONAL (DALIAN) CO.,LTD (STID)	holding companies	limited liability company	Dalian	Dai Huiyuan	travel business	RMB280	69.5675	94.64	66112308-3
Xiamen Jinyuan Aviation Service Co.,Ltd	holding companies	limited liability company	Xiamen	Dai Huiyuan	ticket agent	RMB150	70.5375	100.00	73788566-7

3、 Details of the Company's joint venture and associated companies:

Canxing(Dalian) International Travel Co., Ltd was established on 25 July 2009, invested by the Company's subsidiary Xiamen Canxing Trading Co.,Ltd, in monetary fund RMB1,150,000.00, Xiamen Canxing Trading Co.,Ltd hold 41.07% shares, accounting by the equity method. On 31 August 2009, Xiamen Canxing Trading Co.,Ltd paid RMB 1,600,000.00 to purchase 53.57% of shares of Canxing(Dalian) International Travel Co., Ltd , currently the Xiamen Canxing Trading Co.,Ltd hold 94.64% of shares , can implement control, changes the accounting method to Cost method, and included into consolidated financial statements. Please refer notes IV 、 1 (3) for details.

The Company didn't have other joint venture and associated companies.

4、Details of other related parties of the Company:

<u>Names</u>	<u>Relationships with the company</u>	<u>Code of organization</u>
EUPA (Hongkong) Industry Co., Ltd	Shareholder	12959659-000-07-6
Fordchee (Hongkong) CO., Ltd	Shareholder	14676920-000-01-09-A
Hongkong Fillman investment Co.,Ltd	Shareholder	16269694-000-07-08-4
Tsann Kuen(USA) Co., Ltd	Under the same control of the holding company	
Tsann Kuen(Japan) Co., Ltd	Under the same control of the holding company	0105-01-021064
Tsann Kuen (Hongkong) Co.,Ltd	Key management and closed family members' direct control company	11911137-000-05-07-3
Xiamen Shengming Electronic Co., Ltd	Key management and closed family members' direct control company	61201968-5
Canxing Travel Network Travel Service Co., Ltd	Under the same control of the holding company	80170076

5、Related party transactions:

(1) Purchase of goods and services:

<u>Related parties</u>	<u>Transaction types</u>	<u>Transaction details</u>	<u>Pricing methods and decision-making procedures</u>	<u>For year 2009</u>		<u>For year 2008</u>	
				<u>Amount</u>	<u>The proportion of similar transactions (%)</u>	<u>Amount</u>	<u>The proportion of similar transactions (%)</u>
Tsann Kuen Enterprise Co.,Ltd	Purchase goods	Purchase of raw materials, spare parts and machine accessories	According to the contract price	38,147,319.56	2.51	92,186,758.64	3.37
Xiamen Shengming Electronic Co., Ltd	Purchase goods	Purchase of raw materials, spare parts and machine accessories	According to the contract price	62,394,981.52	4.10	74,956,809.98	2.74
Tsann Kuen(Japan) Co., Ltd	Purchase goods	Purchase of raw materials, spare parts and machine accessories	According to the contract price	<u>662,573.32</u>	<u>0.04</u>	<u>45,093,996.50</u>	<u>1.65</u>
Total				<u>101,204,874.40</u>	<u>6.65</u>	<u>212,237,565.12</u>	<u>7.76</u>

(2) Sales of goods and services:

<u>Related parties</u>	<u>Transaction types</u>	<u>Transaction details</u>	<u>Pricing methods and decision-making procedures</u>	<u>For year 2009</u>		<u>For year 2008</u>	
				<u>Amount</u>	<u>The proportion of similar transactions (%)</u>	<u>Amount</u>	<u>The proportion of similar transactions (%)</u>
Tsann Kuen(Japan) Co., Ltd	Sales of goods	Sales of spare parts and finished goods	According to the contract price	198,104,927.82	7.37	269,542,904.57	6.76
Tsann Kuen Enterprise Co.,Ltd	Sales of goods	Sales of spare parts and finished goods	According to the contract price	66,689,899.17	2.48	86,442,454.69	2.17
Xiamen Shengming Electronic Co., Ltd	Sales of goods	Sales of spare parts and finished goods	According to the contract price	<u>62,627.62</u>	<u>0.00</u>	<u>58,146.70</u>	<u>0.00</u>
Total				<u>264,857,454.61</u>	<u>9.85</u>	<u>356,043,505.96</u>	<u>8.93</u>

(3) Capital absorbed and loan between related parties:

<u>Related parties</u>	<u>Amount</u>	<u>Start date</u>	<u>Maturity date</u>	<u>Notes</u>
Fordchee (Hongkong) CO., Ltd	-82,015,200.00	2008/5/16	2009/5/15	The interest rate is adopt LIBOR, and the loan has been fully repaid in current period.
Hongkong Fillman investment Co.,Ltd	-34,173,000.00	2008/10/23	2009/10/23	The interest rate is adopt LIBOR, and the loan has been fully repaid in current period..
EUPA (Hongkong) Industry Co., Ltd	-157,195,800.00	2008/3/18	2009/3/18	The interest rate adopt LIBOR0.50, and the loan has been fully repaid in current period.
EUPA (Hongkong) Industry Co., Ltd	157,261,700.00	2009/2/25	2010/2/25	The interest rate adopt LIBOR0.50.
Total	<u>-116,122,300.00</u>			

(4) The details of assets transfer between related parties:

<u>Related parties</u>	<u>Transaction types</u>	<u>Transaction details</u>	<u>Pricing methods</u>	<u>For year 2009</u>		<u>For year 2008</u>	
				<u>Amount</u>	<u>The proportion of similar transactions (%)</u>	<u>Amount</u>	<u>The proportion of similar transactions (%)</u>
Tsann Kuen Enterprise Co.,Ltd	procurement	Purchase of modules and machineries	According to the book values	3,032,506.24	19.34	14,558,001.10	14.60
Tsann Kuen (Hongkong) Co.,Ltd	procurement	Purchase of buildings and structures	According to the book values	<u>0.00</u>	0.00	<u>3,703,980.00</u>	100.00
Total				<u>3,032,506.24</u>		<u>18,261,981.10</u>	

(5) Other transactions:

<u>Names of related parties</u>	<u>Transaction details</u>	<u>For year 2009</u>		<u>For year 2008</u>	
		<u>Amount</u>	<u>The proportion of similar transactions (%)</u>	<u>Amount of similar transactions (%)</u>	<u>The proportion of similar transactions (%)</u>
Payment:					
Tsann Kuen Enterprise Co.,Ltd	Technical knowledge support fee (Note1)	13,335,180.66	81.63	20,059,077.35	100.00
Canxing Netcom,INC	Technical knowledge support fee (Note1)	3,000,839.28	18.37	0.00	0.00
Tsann Kuen (USA) Co., Ltd	Pay for after sales service in America area (Note2)	1,090,357.42	9.58	3,667,266.01	14.69
Tsann Kuen Enterprise Co.,Ltd	Agency fee on procurement (Note3)	2,030,820.70	35.04	3,089,224.93	100.00
Tsann Kuen(Japan) Co., Ltd	Relative to product quality expenses (Note4)	8,113,789.54	34.94	13,386,160.34	53.62
Tsann Kuen Enterprise Co.,Ltd	Consulting fees (Note5)	1,204,546.92	84.51	3,233,289.96	100.00
Canxing Netcom,INC	Consulting fees (Note5)	220,751.68	15.49	0.00	0.00
Tsann Kuen(Japan) Co., Ltd	Sales commission (Note10)	2,851,604.53	25.07	0.00	0.00
Canxing Travel Network Travel Service Co., Ltd	Acceptance labour services (Note8)	<u>4,434,105.20</u>	<u>34.73</u>	<u>0.00</u>	<u>0.00</u>
Total		<u>36,281,995.93</u>		<u>43,435,018.59</u>	
Receivable:					
Tsann Kuen Enterprise Co.,Ltd	Sales commission (Note6)	700,737.20	100.00	0.00	0.00
Xiamen Shengming Electronic Co., Ltd	Consulting fees (Note7)	2,049,868.21	100.00	2,900,773.57	100.00
Canxing Travel Network Travel Service Co., Ltd	Provide labour services (Note8)	2,407,770.60	24.98	0.00	0.00
Xiamen Shengming Electronic Co., Ltd	Provide labour services (Note9)	<u>11,400.00</u>	<u>0.12</u>	<u>0.00</u>	<u>0.00</u>
Total		<u>5,169,776.01</u>		<u>2,900,773.57</u>	

Note1: The Company and its subsidiaries measure technical knowledge support fees base on proportionate monthly excess accumulated sales of net amount of licensed products.

Note2: Tsann Kuen (USA) Co., Ltd provides after sales services in America area for the Company and its subsidiaries' sales in American area, the Company and its subsidiaries pay for those after sales service base on 102% of the actual related expenses incurred.

Note3: The Company and its subsidiaries entrust Tsann Kuen Enterprise Co., Ltd to purchase raw material, modules and machineries. The procurement agency fees (including service charges) are calculated base on 110% of the actual procurement expense incurred by the agencies.

Note4: It refers to relative product quality expenses for those sales from TKL to TKJ.

Note5: Before 31 October 2009, Tsann Kuen Enterprise Co., Ltd provided professional consultant service for the Company and its subsidiaries related to the worldwide prochuase activities. The Company and its subsidiaries pay for the consultant fees base on 105% of the actual related expenses incurred. Since the 1 November 2009, Canxing Netcom,INC provided professional consultant service for the Company and its subsidiaries related to the worldwide prochuase activities. The Company and its subsidiaries pay for the consultant fees base on 105% of the actual related expenses incurred.

Note6: The Company with Tsann Kuen Enterprise Co., Ltd agreed, by the Company to undertake the purchase orders, and send semi-finished products to Tsann Kuen Enterprise Co., Ltd for further processing, and Tsann Kuen Enterprise Co., Ltd shall be paid to the Company sales commission based on USD 1.2 per actual sold products.

Note7: The Company assists Xiamen Shengming Electronic Co., Ltd for its management, the consulting fees from Xiamen Shengming Electronic Co., Ltd are calculated base on 105% of actual expenses incurred from the assistance of management.

Notes8: The Company with Canxing Travel Network Travel Service Co., Ltd signed non-exclusive agreements for provide "Agency services", dealing with travel and relevant matters , the agency service charges based on the actual quote of each order.

Note9: The Company provide agency services for Xiamen Shengming Electronic Co., Ltd, and each agency service charges based on the actual quote.

Note10: The Company sale products to Japan, and signed agreement with TKJ, the Company pay for commission limited to the 10% of total revenues from Japan sales.

Note11: The Company signed advance pricing arrangement with State tax authorities of Xiamen city, Zhangzhou city, Shanghai city, regarding the above-mentioned prcing arrangement for technical knowledge, sales agencies fee, and after sales service fees and procurement agencies

6、 The balance of payables and receivables among related parties:

<u>Items</u>	<u>Related parties</u>	<u>Ending balance</u>	<u>Beginning Balance</u>
Accounts receivable		<u>76,091,375.94</u>	<u>89,005,981.80</u>
	Tsann Kuen (Japan) Co., Ltd	56,406,115.97	61,813,298.98
	Xiamen Shengming Electronic Co., Ltd	24,266.07	34,784.20
	Tsann Kuen Enterprise Co.,Ltd	19,645,910.91	27,157,898.62
	Canxing Travel Network Travel Service Co., Ltd	15,082.99	0.00
Advance to supplier		<u>0.00</u>	<u>1,468,866.52</u>
	Xiamen Shengming Electronic Co., Ltd	0.00	1,468,866.52
	Canxing Travel Network Travel Service Co., Ltd	0.00	0.00
Accountants payable		<u>23,602,739.08</u>	<u>15,288,063.57</u>
	Xiamen Shengming Electronic Co., Ltd	14,449,316.58	411,418.86
	Tsann Kuen Enterprise Co.,Ltd	8,175,417.39	13,633,806.27
	Tsann Kuen (Japan) Co., Ltd	46,125.02	1,242,838.44
	Canxing Travel Network Travel Service Co., Ltd	931,880.09	0.00
Other accountant payable		<u>170,125,213.64</u>	<u>293,319,915.63</u>
	Tsann Kuen (USA) Co., Ltd	148,076.26	423,167.88
	Tsann Kuen (Japan) Co., Ltd	4,254,113.80	1,980,480.74
	Xiamen Shengming Electronic Co., Ltd	102,407.11	49,515.15
	EUPA (Hongkong) Industry Co., Ltd	157,261,700.00	157,195,800.00
	Fordchee (Hongkong) CO., Ltd	0.00	82,015,200.00
	Hongkong Fillman investment Co.,Ltd	0.00	34,173,000.00
	Tsann Kuen Enterprise Co.,Ltd	4,017,049.76	17,482,751.86
	Canxing Netcom,INC	4,191,646.31	0.00
	Canxing Travel Network Travel Service Co., Ltd	150,220.40	0.00
Advance from customers		<u>8,585.00</u>	<u>193.02</u>
	Xiamen Shengming Electronic Co., Ltd	0.00	193.02
	Canxing Travel Network Travel Service Co., Ltd	8,585.00	0.00

VII. Contingency

1、 The financial impact of contingent liability caused by pending litigation or arbitration

On 12 April 2008, the Company's subsidiary TKL signed with Longhai Chaoda Industries Co., Ltd ("Longhai Chaoda") 《Cooperative frame agreement》, 《Operating assets transfer and lease agreement》 and relevant supplemental agreement. The main contents the agreements are summarised as follow:

TKL contracted to purchase supplies from Longhai Chaoda. In covenant, Longhai Chaoda contracted to purchase from TKL the machinery and equipments for the production of the subject supply, to lease from TKL the property located at Tssan Kuen Industrial Park, Longchi Development Zones, and to allocate and effect investment exclusively for the construction of production.

On 3 November 2009, Longhai Chaoda lodged two petitions for litigation to the Intermediate People's Court of Zhangzhou, Fujian province, petitioned to unwind the obligations of both parties in relation to purchase and lease of machinery and equipments and that TKL refunds the amount of RMB 8,174,960 for the purchase and lease machinery and equipments paid by Longhai Chaoda. And also petitioned that the Court orders that TKL compensates the damages suffered by Longhai Chaoda for the total amount of RMB 12,600,000 and that TKL refunds the Performance Bond amounted RMB 200,000 paid by Longhai Chaoda. The total petitioned amount totals RMB 20,974,960.

In addition to defense advocates Longhai Ultra-up to the earlier breach of contract, asking the court to dismiss all the requests, and at the same time TKL counter-petitioned against Longhai Chaoda for that the subject payment for the purchase and lease of machinery and equipment has not yet been fully received from Longhai Chaoda and that the Court orders that Longhai Chaoda advances the undue payment amounts to RMB 4,042,110.00.

On the balance sheet date, the above mentioned legal proceedings were undergoing litigation procedures, of which the outcomes were unable to be reliably estimated.

2、 Up to the reporting date, no need to disclose the contingent liabilities and relevant financial impact that caused by provision of debt guarantees to other units .

3、 Other contingent liabilities and relevant financial impact

The subsidiaries of the Company TKL has signed an insurance purchase contract of material and spare parts with satellite factories, according to the agreement, if due to reasons attributable to the Zhangzhou Cankun letter that the actual purchase amount for each year less than the amount as insurance, the insufficient amount shall be returned to satellite factories based on the purchase discount method. Up to the balance sheet date, TKL with partial satellite factories signed exemption supplementary agreement, and according to original agreement provide accrued liability RMB 1,618,986.20 for those satellite factories who

have not signed exemption supplementary agreement.

During the year 2002 to the year 2008, TKL sold Tsann Kuen coffee grinder to Starbucks, however incurred consumer complaints, after negotiation, Starbucks and U.S. Consumer Product Safety Commission agreed using replacement approach to recall those coffee grinder, traders place 40 thousand units order to TKL, based on the number of new machines replaced to consumers and status of possible future recovery , TKL has delivered 36 thousand units finished goods in September 2009, form losses RMB 1,180,400.00. Up to the reporting date, no new consumer orders, and traders did not request to delivering the remaining 4000 units finished goods, that 4000 units machines is expected to form losses of about RMB 130,000.00.

VIII. Commitment

1、 On the balance sheet date, the details of the amount and relevant financial impact of significant commitment

*The monetary unit is ten thousand unless otherwise stated.

<u>Items</u>	<u>*Ending Balance(RMB)</u>	<u>*Beginning Balance(RMB)</u>
The minimum lease payments of irrevocable operating lease contracts		
House lease		
1st year after balance sheet date	3,727	4,000
2nd year after balance sheet date	3,727	4,000
3rd year after balance sheet date	3,727	4,000
Subsequent years	<u>149,073</u>	<u>164,000</u>
Total	<u>160,254</u>	<u>176,000</u>

2、 The implementation of the early commitments

Up to the reporting date, continue to perform the above commitments , without violation of these commitments.

IX. Events after the Balance Sheet Date

1、 Significant events after the balance sheet date

On 15 January 2010, the Company's subsidiary TKL using the the pledge and guaranteed fixed deposit USD 10,000,000.00 to returned the long-term borrowings USD 10,000,000.00 that from The Bank of East Asia(China).

On 5 January 2010, the Company returned the loans USD23,000,000.00 to EUPA (Hongkong) Industry Co., Ltd(Capital absorbed and loan).

As a subsidiary of the Company, Zhangzhou Cankun to deposit RMB3,450,000.00 to Thailand Pangu Bank (Volkswagen Limited) signed the Xiamen branch of the financing pledge contract, After the expiry date of January 31 2010 of the contract pledge to lift the pledge deposit.

2、 Other events after the balance sheet date

As at the balance sheet date, no need to disclose the other events after the balance sheet date.

X. Other significant events

1、 At fair value measurement of assets and liabilities

Items	Year	The profits and losses	The accumulated changes	Current provision	Year Ending
	Beginning	of changes in fair value	in fair value recognized	for impairment	Balance
	Balance	during the year	into equity	during the year	
Financial assets					
1. Financial assets at fair value through profit or loss (not include derivative)	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	0.00	1,588,661.38	0.00	0.00	1,588,661.38
3. Available-for-sale financial assets	109,771.20	0.00	183,859.20	0.00	293,630.40
Subtotal of financial assets	0.00	0.00	0.00	0.00	0.00
Investment property	0.00	0.00	0.00	0.00	0.00
Productive biological assets	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
Total	<u>109,771.20</u>	<u>1,588,661.38</u>	<u>183,859.20</u>	<u>0.00</u>	<u>1,882,291.78</u>
Financial liabilities					

2、 Foreign currency financial assets and financial liabilities

Items	Year	The profits and losses	The accumulated	Current provision	Year Ending
	Beginning	of changes in fair value	changes in fair value	for impairment	Balance
	Balance	during the year	recognized into equity	during the year	
Financial assets					
1. With changes in fair value included in current profit and loss and its financial assets (excluding derivative financial assets)	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	0.00	0.00	0.00	0.00	0.00
3. Loan and account receivable	406,395,633.65	0.00	0.00	38,847,260.94	414,888,297.52
4. Available for sale financial assets	0.00	0.00	0.00	0.00	0.00
5. Held-to-maturity investments	0.00	0.00	0.00	0.00	0.00
Subtotal of financial assets	<u>406,395,633.65</u>	<u>0.00</u>	<u>0.00</u>	<u>38,847,260.94</u>	<u>414,888,297.52</u>
Financial liabilities	<u>687,694,723.34</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>427,633,282.13</u>

3、 The details of guarantee during report period for the Company and its subsidiaries. (The monetary unit is RMB ten thousand):

Grantee name	Bank name	Transaction	Guaranteed	Guaranteed	Type of	Term of	Range of guarantee
		date(date of agreement signed)	amount	balance	guarantee	guarantee	
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	The Construction Bank of China(Xiamen)	2009/7/9	13,280	9,346	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	bank acceptance, trade financing, financial transactions
	Bank of China(Zhangzhou)	2009/11/27	18,221	6,652	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing, financial transactions
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	Bangkok Bank Public Company Ltd(Xiamen)	2009/2/2	942	0	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing,
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	Industrial Bank(Zhangzhou)	2009/7/17	3,044	2,106	Guarantee for implicative	one year from the expiry date of	Commercial acceptance discount, bank

<u>Grantee name</u>	<u>Bank name</u>	<u>Transaction date(date of agreement signed)</u>	<u>Guaranteed amount</u>	<u>Guaranteed balance</u>	<u>Type of guarantee</u>	<u>Term of guarantee</u>	<u>Range of guarantee</u>
					responsibility	performance of an obligation	acceptance, trade financing,
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	The Construction Bank of China(Zhangzhou)	2009/8/4	7,777	4,116	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing, financial transactions
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	Shanghai First Sino Bank	2009/8/31	3,543	46	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing, financial transactions
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	China Everbright Bank Xiamen Branch	2009/7/14	20,248	8,212	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing,
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	Industrial and Commercial Bank of China(Zhangzhou)	2009/6/19	24,311	9,574	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing, financial transactions
Tsann Kuen (Zhanzhou) Enterprise Co., Ltd.	The Agriculture Bank of China(Xiamen)	2009/10/28	9,373	2,471	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	bank acceptance, trade financing, financial transactions
Total amount the company guarantee its subsidiaries during the reporting period						100,739	
Total balance the company guarantee its subsidiaries at the end of the period						42,523	

4、Others

The Company's subsidiary TKL signed agreements pursuant to Co-operation frame agreement and Transfer of Operating Assets and Material Supplies agreement with SHANGHAI SIGMA METAL,INC("SIGMA" as below), the content of the agreements are shown as followed: TKL transfers its operating assets and business opportunities to SIGMA with total transaction amount of RMB 100,000,000. SIGMA shall be TKL's main aluminum material supplier, and adjust settlement price below some amount or rate as negotiated by both parties for each ton. According to the transfer of operating assets agreement, SIGMA shall pay RMB 38,000,000 to TKL as its initial payment, and the rest of RMB 62,000,000 shall be deducted from the charges of aluminum material work in process by monthly. TKL promises SIGMA to purchase aluminum material every year effective in three years from the date of the agreements signed, with purchase quantities shall not less than 70% of the Company's total demands. After three years, if TKL's purchase orders are no enough to deduct the balance of the transaction, then TKL shall agree to extent the agreement until the balance can be offset fully. If TKL terminates responsibility by itself, the SIGMA will not need to pay the rest of outstanding balance. If SIGMA terminates its responsibility, then SIGMA shall have to pay off the rest of outstanding balance at one time.

The implementation of above contracts for almost three years, Material Supplies agreement will mature on 28 February, 2010, as at the balance sheet date, there is outstanding balance for RMB40,106,220.40, and recognized into “Long-term account receivable” and “Other non-current liabilities” .

XI. Main notes to financial statements of parent company

1、 Account receivable

(1) Account receivable listed according to the categories:

Items	Ending Balance				Beginning Balance			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Balance	Proportion %	Balance	Proportion %	Balance	Proportion %	Balance	Proportion %
Individual significant amounts	0.00	0.00	0.00	0.00	36,375.82	100	0.00	0.00
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-significant receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	36,375.82	100.00	0.00	0.00

(2) There is no Accounts receivable balance due from shareholders who own five or over five percent voting rights as at December 31, 2009.

2、 Other accounts receivable

(1) Other accounts receivable listed according to the categories:

Items	Ending Balance				Beginning Balance			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Balance	Proportion%	Balance	Proportion%	Balance	Proportion%	Balance	Proportion%
Individual significant amounts	800,000.00	82.98	650,000.00	88.56	3,608,990.00	24.73	2,272,697.00	91.37
Non-significant in amount but in accordance with the characteristics of credit risk portfolio, the risk of the portfolio is high	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-significant receivables	164,043.08	17.02	84,005.93	11.44	10,983,335.66	75.27	214,648.14	8.63
Total	964,043.08	100.00	734,005.93	100.00	14,592,325.66	100.00	2,487,345.14	100.00

(3) There is no Other accounts receivable balance due from shareholders who own five or over five percent voting rights as at December 31, 2009.

(4) List the amount of top five other accounts receivable:

<u>Company name</u>	<u>Relationships</u>	<u>Balance</u>	<u>Nature</u>	<u>Age</u>	<u>Proportion of total other accounts receivable%</u>
Ni Yilian	Non related parties	500,000.00	Receivable of transfer of property	1-2 years	51.86
Hong Shaoshu	Non related parties	300,000.00	Temporary borrowing	Within 1 year	31.12
Lei Di	Non related parties	50,000.00	Temporary borrowing	Within 1 year	5.19
Tsann Kuen (Zhangzhou) Profession and Technology College	Holding subsidiary	23,935.51	Financial transactions	Within 1 year	2.48
Chen Rengui	Non related parties	<u>23,000.00</u>	Temporary borrowing	Within 1 year	<u>2.39</u>
Total		<u>896,935.51</u>			<u>93.04</u>

(5) Details of other accounts receivable balance due from related parties:

<u>Company name</u>	<u>Relationships</u>	<u>Balance</u>	<u>Proportion of total other accounts receivable%</u>
Tsann Kuen (Zhangzhou) Profession and Technology College	Subsidiary	<u>23,935.51</u>	<u>2.48</u>
Total		<u>23,935.51</u>	<u>2.48</u>

3、Long-term equity investment

(1) Circumstance of the long-term equity investment

<u>Name of investee company</u>	<u>Accounting Method</u>	<u>Initial investment cost</u>	<u>proportion of shareholding %</u>	<u>proportion of voting rights%</u>	<u>Explanation for the difference between shareholding proportion and voting rights proportion</u>
TKS	cost method	194,545,872.18	62.50	62.50	
TKL	cost method	921,914,701.56	75.00	75.00	
TKN	cost method	3,750,000.00	75.00	75.00	
EUPA(Hong Kong)	cost method	10,501,448.02	100.00	100.00	
Xiamen Canxing International Travel Co., Ltd	cost method	5,000,000.00	100.00	100.00	
Xiamen Institute of Foreign Investment Enterprise	cost method	<u>40,000.00</u>	1.48	1.48	
Total		<u>1,135,752,021.76</u>			

Continued:

<u>Name of investee company</u>	<u>Beginning Balance</u>	<u>Changes in current year</u>	<u>Ending balance</u>	<u>Provision for impairment</u>	<u>Provision for impairment loss for current year</u>	<u>Cash dividend</u>
TKS	194,545,872.18	0.00	194,545,872.18	130,646,542.91	0.00	0.00
TKL	921,914,701.56	0.00	921,914,701.56	0.00	0.00	0.00
TKN	3,750,000.00	0.00	3,750,000.00	0.00	0.00	0.00
EUPA(Hong Kong)	10,501,448.02	0.00	10,501,448.02	0.00	0.00	0.00
Xiamen Canxing International Travel Co., Ltd	0.00	5,000,000.00	5,000,000.00	0.00	0.00	0.00
Xiamen Institute of Foreign Investment Enterprise	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,500.00</u>
Total	<u>1,130,752,021.76</u>	<u>5,000,000.00</u>	<u>1,135,752,021.76</u>	<u>130,646,542.91</u>	<u>0.00</u>	<u>7,500.00</u>

4、 Operating Revenues and Operating Costs

(1) Operating Revenues

<u>Items</u>	<u>For year 2009</u>	<u>For year 2008</u>
Main operating incomes	0.00	2,274,532.79
Other operating incomes	<u>5,967,889.27</u>	<u>12,374,406.56</u>
Total operating income	<u>5,967,889.27</u>	<u>14,648,939.35</u>
Main operating Costs	0.00	3,826,773.55
Other operating Costs	<u>5,709,586.31</u>	<u>11,334,058.68</u>
Total operating costs	<u>5,709,586.31</u>	<u>15,160,832.23</u>

(2) Main business (listed according to categories of products)

<u>Products name</u>	<u>For year 2009</u>		<u>For year 2008</u>	
	<u>Operating incomes</u>	<u>Operating Costs</u>	<u>Operating incomes</u>	<u>Operating Costs</u>
Others	<u>0.00</u>	<u>0.00</u>	<u>2,274,532.79</u>	<u>3,826,773.55</u>
Total	<u>0.00</u>	<u>0.00</u>	<u>2,274,532.79</u>	<u>3,826,773.55</u>

(3) List other business categories:

<u>Product/category</u>	<u>For year 2009</u>			<u>For year 2008</u>		
	<u>Other operating incomes</u>	<u>Other operating costs</u>	<u>Other operating profits</u>	<u>Other operating incomes</u>	<u>Other operating costs</u>	<u>Other operating profits</u>
Rental income	3,921,421.38	3,735,878.96	185,542.42	9,353,752.99	8,571,417.19	782,335.80
Consultant income	2,046,467.89	1,973,707.35	72,760.54	2,900,773.57	2,762,641.49	138,132.08
Others	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>119,880.00</u>	<u>0.00</u>	<u>119,880.00</u>
Total	<u>5,967,889.27</u>	<u>5,709,586.31</u>	<u>258,302.96</u>	<u>12,374,406.56</u>	<u>11,334,058.68</u>	<u>1,040,347.88</u>

5、 Investment income

<u>Source of investment income</u>	<u>For year 2009</u>	<u>For year 2008</u>
Gains from cost method long term equity investment	7,500.00	0.00
Gains from disposal of long term equity investment	<u>0.00</u>	<u>-70,747,992.43</u>
Total	<u>7,500.00</u>	<u>-70,747,992.43</u>

6、 Supplemental information for cash flow statement

<u>Supplemental information</u>	<u>For year 2009</u>	<u>For year 2008</u>
1. Adjusting net profit to cash flow from operating activities:		
Net profits	-10,093,779.75	-200,382,004.28
Add: Provision for assets impairment loss	3,545,951.14	136,425,699.45
Depreciation of fixed assets、oil and gas assets and productivity biological assets	6,930,404.06	11,148,878.82
Amortization of intangible assets	969,201.22	1,162,923.56

<u>Supplemental information</u>	<u>For year 2009</u>	<u>For year 2008</u>
Amortization of Long-term deferred expenses	28,700.04	28,700.04
Loss on disposal of fixed assets, intangible assets and other long-term assets (The gain is listed beginning with “-“)	-46,120.93	-2,880,690.46
Losses on scrapped fixed assets (The gain is listed beginning with “-“)	9,309.05	818,148.03
Losses from fluctuation in fair values (The gain is listed beginning with “-“)	0.00	0.00
Financial costs (The gain is listed beginning with “-“)	875,019.66	-4,454,809.57
Losses on investment (The gain is listed beginning with “-“)	-7,500.00	70,747,992.43
Decrease of deferred income tax assets (The increase is listed beginning with “-“)	0.00	0.00
Increase of deferred income tax liabilities (The decrease is listed beginning with “-“)	0.00	0.00
Decrease of inventories (The increase is listed beginning with “-“)	0.00	2,348,220.33
Decrease of operating receivables (The increase is listed beginning with “-“)	11,096,034.58	-13,178,894.09
Increase of operating payables (The decrease is listed beginning with “-“)	-1,276,239.53	101,608,594.81
Others	<u>0.00</u>	<u>0.00</u>
Net cash flow arising from operating activities	<u>12,030,979.54</u>	<u>103,392,759.07</u>
2. Significant investment and financing activities that not relate to cash flows:		
Debts convert to capital	0.00	0.00
Convertible corporate bond due within 1 year	0.00	0.00
Finance leased fixed assets	0.00	0.00
3. Net increase (decrease) of cash and cash equivalents:		
Ending balance of cash	494,441.23	4,939,594.77
Less: Beginning balance of cash	4,939,594.77	3,722,741.66
Add : Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	<u>0.00</u>	<u>0.00</u>
Net increase of cash and cash equivalents	<u>-4,445,153.54</u>	<u>1,216,853.11</u>

XII. Supplemental information

1、List of current extraordinary profits or losses

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Profits and losses from disposal non-current assets	13,413,835.40	
Tax return, relief from ultra vires approval or no formal approval file	0.00	
The government subsidy recognized into current profit and loss (Except those government subsidies closely related to the Company's business and according to national unified quota or ration)	5,795,350.00	
The collected fees for possession of funds recognized into current profit and loss	0.00	
Gains from the investment costs paid less than the acquirer's interest in the fair value of the bargainor's identifiable net assets(During acquire subsidiary、 joint venture and associates)	0.00	
Profits and losses from exchange of non-monetary assets	0.00	
Profits and losses from investment or management of assets entrusted to others	0.00	
The provision for impairment of assets due to force majeure factors, such as incurred natural disasters	0.00	
Profits and losses from debt restructuring	0.00	
Restructuring expenses, such as replacement of employees、 integration expenses, etc	0.00	
Profits and losses from the any amount exceed fair values when there is non under fair value transactions	0.00	
The net profits and losses of subsidiary that is from beginning of the period to the combination date, the subsidiary generated from the business combination that is under the same control	0.00	
Profits and losses from contingent events that irrelevant to the Company's normal business	0.00	
Except for effective hedging operations that relevant to the Company's normal business, the profits and losses from fair value changes from held for trading financial assets and held for trading financial liabilities, as well as the investment gains from disposal held for trading financial assets、 held for trading financial liabilities and available-for-sale financial assets	-2,561,989.56	Investment losses from sold forward exchange contracts and fair value changes
Reversal of provision for impairment of receivable that carry impairment test individually	0.00	
Profits and losses from external entrusted loan	0.00	
Profits and losses from fair value changes of investment property that adopt fair value model as subsequent measurement method	0.00	
The impact on current profit and loss, that according to tax, accounting and other laws and regulations requirement to carry out one time adjustment for current profit and loss	0.00	
Trustee fee income from entrusted operations	0.00	
Other non operating income and expenses except from above mentioned items	1,331,821.34	
Other profit and loss items that satisfied the definition of extraordinary profits or losses	0.00	
Subtotal	<u>17,979,017.18</u>	
Less: the amount from income tax effect	233,152.17	
the impact from minority interests (after tax)	3,810,642.65	
Total	<u>13,935,222.36</u>	

2、Yield Rate of Net Assets and Earnings Per Share

<u>Profit in the report period</u>	<u>Reporting period</u>	<u>Weighted Average Yield Rate of Net Assets%</u>	<u>Earnings Per Share(Yuan per share)</u>	
			<u>Basic EPS</u>	<u>Diluted EPS</u>
Net profits attributable to ordinary shareholders	For year 2009	14.25%	0.05	0.05
	For year 2008	13.15%	0.04	0.04
Net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses.	For year 2009	10.49%	0.03	0.03
	For year 2008	5.44%	0.02	0.02

$$\text{Weighted Average Yield Rate of Net Assets} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

Including: P_0 : is the net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses; NP: is the net profits attributable to ordinary shareholders; E_0 : is the beginning balance of net assets attributable to ordinary shareholders; E_i : is incremental the net assets attributable to ordinary shareholders as a result of the conversion of a debt instrument to ordinary shares or issued new shares; E_j : is decrement the net assets attributable to ordinary shareholders as a result of ordinary shares bought back or cash dividends, etc; M_0 : is the number of month during the reporting period; M_i : is the accumulative months that is from the next month of incremental net assets to the month of end of reporting period; M_j : is the accumulative months that is from the next month of decrement net assets to the month of end of reporting period; E_k : is the changes of net assets that attributable to ordinary shareholders, caused by other transactions or events; M_k : is the accumulative months that is from the next month of other changes in net assets to the month of end of reporting period.

If there is business combination under same control, the merged party's net assets shall be weighting from the beginning of the report period; When calculate the weighted average yield rate of net assets after deduct extraordinary profits or losses, the merged party's net assets shall be weighting from the next month of combination date.

3、Reasons for and/or details of extraordinary movement of line items of financial statements

Monetary Funds: The increase of 51.80% from the starting balance to closing balance arises from the repayment for bank borrowings occurred and the changes of purchasing loan settlement in the previous reporting period.

Advances to suppliers: The decrease of 50.81% from the starting balance to closing balance arises from the settlement in the current reporting period for the advancement incurred in the previous reporting period.

Other account receivables: The decrease of 48.76% from the starting balance to closing balance arises from the receipt of refunded deposits and tax rebate for exportation.

Inventories: The decrease of 22.38% from the starting balance to closing balance arises from strategic changes in response to the financial crisis.

Long-term account receivables: The increase of 45.52% from the starting balance to closing balance arises

from the instalments for payment for the sales of fixed assets agreed with satellite factories, the purchasers.

Fixed assets: The decrease of 31.99% from the starting balance to closing balance arises from the sales of fixed assets to satellite factories.

Notes payables: The decrease of 68.26% from the starting balance to closing balance arises from the change of payment method to letter of credit occurred in the current reporting period.

Advances from customers: The decrease of 31.57% from the starting balance to closing balance arises from the partial settlement of advances from customers.

Other account payables: The decrease of 35.26% from the starting balance to closing balance arises from the repayment for money lending.

Non-current liabilities due within one year: The increase of 100.00% from the starting balance to closing balance arises from the recategorisation of non-current liabilities due within one year.

Long-term borrowings: The decrease of 100.00% from the starting balance to closing balance arises from the recategorisation of non-current liabilities due within one year.

Operating income: The decrease of 32.01% from the previous reporting period to current reporting period arises from the decrease of number of orders for the current reporting period resulting from the financial crisis.

Administrative expenses: The increase of 30.51% from the previous reporting period to current reporting period arises from the increase of research and development expenses incurred during the current reporting period.

Financial expenses: The decrease of 152.61% from the previous reporting period to current reporting period arises from the decrease of bank borrowings and the increase of exchange surpluses for the current reporting period.

Non-operating expense: The decrease of 81.97% from the previous reporting period to current reporting period arises from the decrease of donations incurred during the current reporting period.

Income tax expense: The decrease of 536.52% from the previous reporting period to current reporting period arises from the recognition of deductible temporary differences resulting from recoverable losses as deferred tax assets.

XIII. Approval of financial statements

This financial statement are approved and authorized for issuance by the Board of Directors on February 27, 2010.

Tsann Kuen (China) Enterprise Co., Ltd

Page [39] to [127] of financial statement and the Notes are signature by:

Legal Representative: Jian Derong

Person in charge of accounting work: Chen Zongyi

Person in charge of accounting department: Chen Zongyi