

TSANN KUEN (CHINA) ENTERPRISE CO. LTD.
Semi-Annual Report 2011
(Prepared under China Accounting Standards)

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Important Notes

The Board of Directors, Supervisory Committee, as well as the directors, supervisors and senior management of Tsann Kuen (China) Enterprise Co., Ltd. (hereinafter referred to as “the Company”) hereby confirm that there is no false information, misleading statements or any material omission carried in this report, and collectively and individually accept the responsibilities for the truthfulness, accuracy and completeness of the whole contents.

None of directors, supervisors or senior management has ever declared that he (she) is uncertain of or has any objection to the truthfulness, accuracy and completeness of the Semi-annual Report 2011.

All the directors had attended the Board meeting which reviewed and approved the semi-annual report 2011.

The Chairman of the Board of Directors Mr. Jian Derong and the Accounting Manager Mr. Chen Zongyi jointly declare that the financial report in this semi-annual report is true and complete.

The financial report in this semi-annual report has not been audited.

I. Company Profile

1. Company's name (Chinese) : 厦门灿坤实业股份有限公司
Company's name (English) : Tsann Kuen (China) Enterprise Co., Ltd.
Company's name (Abbr.) : TKC
2. Legal Representative : Jian Derong
3. Secretary of the Board of Directors : Sun Meimei
Contact address : Tsann Kuen Industrial Park, Longchi Development Zone, Zhangzhou, Fujian Province
Telephone : 0596-6268103
Fax : 0596-6268104
E-mail : mm_sun@tkl.tsannkuen.com

Securities Affairs Representative :
Contact address :
Telephone :
Fax :
E-mail :
4. Registered address : No. 88, Xinglong Road, Huli Industry District, Xiamen, P.R.C.
Post code : 361006
Office address : Tsann Kuen Industrial Park, Longchi Development Zone, Zhangzhou, Fujian Province
Post code : 363107
Website : www.tsannkuen.com
E-mail : mm_sun@tkl.tsannkuen.com
5. Newspapers Chosen for Disclosing the Information of the Company:
Domestic : Securities Times; Overseas: Hong Kong Ta Kung Pao
Website for publishing semi-annual report: www.cninfo.com.cn
Place Where the semi-report is prepared and placed: Tsann Kuen Industrial Park, Longchi Development Zone, Zhangzhou, Fujian Province

6. Stock Exchange Listed with : Shenzhen Stock Exchange
Short form for stock : Tsann Kuen B
Stock code : 200512
7. Initial registered date and place : Jan. 1, 1988 in Xiamen, P.R.C.
Business license number : 350200400001420
Organization Code : 61200217-0
Tax registration code : NTW Zi 350206612002170
CPAs engaged by the Company : Reanda Certified Public Accountants Co., Ltd.
Address of CPAs engaged : Room 2008, Eastern 20/F, No. 1 Building, No.100 Xili,
Balizhuang, Chaoyang District, Beijing

II. Summary of Financial and Business Highlights

(I) Major accounting data and financial indices

Unit: RMB Yuan

Items	As at the end of the reporting period	As at the end of last year	Increase/decrease of the end of the reporting period compared with the end of last year (%)
Total assets	2,002,896,080.72	1,985,108,875.38	0.90
Owners' equity attributable to shareholders of the Company	483,955,065.10	461,411,506.21	4.89
Share capital	1,112,350,077.00	1,112,350,077.00	0.00
Net assets per share attributable to shareholders of the Company	0.44	0.41	7.32
Items	The reporting period (Jan. -Jun.)	The same period of last year	Increase/decrease during the reporting period compared with the same period of the last year (%)
Total operating income	1,373,364,867.20	1,665,009,562.62	(17.52)
Operating profit	30,615,169.90	43,181,953.41	(29.10)
Total profit	35,183,410.97	53,632,162.53	(34.40)
Net profit attributable to shareholders of the Company	22,548,469.85	36,949,302.21	(38.97)
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses	7,619,492.26	29,167,992.93	(73.88)
Earnings per share-basic	0.02	0.03	(33.33)
Earnings per share-diluted	0.02	0.03	(33.33)
Weighted average ROE (%)	4.77%	8.90%	(4.13)
Weighted average ROE after deducting non-recurring gains and losses (%)	1.61%	7.02%	(5.41)
Net cash flows from operating activities	(124,787,026.82)	37,457,183.12	(433.15)
Net cash flows per share from operating activities	(0.11)	0.03	(466.67)

Items and amount of non-recurring gains and losses

Unit: RMB Yuan

Items	Amount
Net profit	22,548,469.85
Add: gains and losses from disposal of non-current assets, including the part that withdrawn reserve for impairment of assets were offset	(1,508,177.01)
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	(18,796,938.42)
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	(2,336,916.06)
Other non-operating income and expense other than the above-mentioned each items	(723,148.00)
Subtotal	(23,365,179.49)
Less: influence on enterprise income tax	(3,485,169.79)
Less: net profit attributable to minority shareholders after deducting non-recurring gains and losses	(4,951,032.11)
Net profit attributable to shareholder of parent company after deducting non-recurring gains and losses	7,619,492.26

(II) Difference between PRC GAAP and IFRS

Unit: RMB Yuan

Items	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	This period	Last period	As at period-end	As at period-begin
Under IFRSs	23,257,872.68	35,973,827.47	483,245,662.27	459,992,700.55
Under PRC GAAP	22,548,469.85	36,949,302.21	483,955,065.10	461,411,506.21
Adjustment pursuant to IFRSs:				
Adjustment of fixed assets purchased before 1994 due to adopting adjusted rates	0.00	(1,111,317.84)		
Writing off the depreciation in this year of evaluated increment of fixed assets of the year 1993	709,402.83	135,843.10	(709,402.83)	(1,418,805.66)
Total difference	709,402.83	(975,474.74)	(709,402.83)	(1,418,805.66)
Explanation on difference	1. Concerning the adjustment of fixed assets purchased before 1994 due to adopting adjusted rates, the amortization ended in Dec. 2010. 2. Concerning writing off the depreciation of evaluated increment of fixed assets of the year 1993, the amortization was to end in 2011.			

III. Changes in Share Capital and Particulars about Shareholders

(I) Changes in share capital

√Applicable □Inapplicable

Unit: share

	Before change		Increase/decrease (+,-)					After change	
	Quantity	Proportion	New shares	Bonus shares	Shares turned from capital reserve	Others	Subtotal	Quantity	Proportion
I. Unlisted shares									
1. Founders' shares									
Including: shares held by the state									
Shares held by domestic legal persons									
Shares held by overseas legal persons									
Others									
2. Shares placed by legal persons									
3. Staff shares									
4. Preferred shares or others									
II. Listed 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 shares	1,112,350,077	100%						1,112,350,077	100%

(II) Particulars about shareholders

Total shareholders: 32,929

Shares held by the top ten shareholders

Unit: Share

No	Name of shareholder	Nature of shareholder	Shareholding ratio	Shares held at the period-end	Non-tradable shares held	Shares pledged or frozen
1	FORDCHEE DEVELOPMENT LIMITED	Foreign legal person	29.10%	323,643,179	0	0
2	EUPA INDUSTRY CORPORATION LIMITED	Foreign legal person	13.83 %	153,802,306	0	0
3	FILLMAN INVESTMENTS LIMITED	Foreign legal person	2.49%	27,729,575	0	0
4	TIMMERTON CO INC	Foreign legal person	1.30%	14,505,644	0	0
5	CHEN YONGQUAN	Domestic natural person	0.90%	10,004,383	0	0
6	LI YIJUN	Domestic natural person	0.69%	7,692,959	0	0
7	CHEN LIJUAN	Foreign natural person	0.55%	6,076,746		
8	CHEN YONGQING	Foreign natural person	0.53%	5,889,589	0	0
9	SHENYIN WANGUO SECURITIES (H.K.) LIMITED	Foreign legal person	0.44%	4,840,002	0	0
10	CSC SECURITIES (HK) LTD.	Foreign legal person	0.42%	4,617,279	0	0

Shares held by the top ten stockholders holding tradable shares

Unit: Share

No.	Name of shareholder	Number of tradable shares held	Type of shares
1	FORDCHEE DEVELOPMENT LIMITED	323,643,179	B-share
2	EUPA INDUSTRY CORPORATION LIMITED	153,802,306	B-share
3	FILLMAN INVESTMENTS LIMITED	27,729,575	B-share
4	TIMMERTON CO INC	14,505,644	B-share
5	CHEN YONGQUAN	10,004,383	B-share
6	Li YIJUN	7,692,959	B-share
7	CHEN LIJUAN	6,076,746	B-share
8	CHEN YONGQING	5,889,589	B-share
9	SHENYIN WANGUO SECURITIES (H.K.) LIMITED	4,840,002	B-share
10	CSC SECURITIES (HK) LTD.	4,617,279	B-share
Explanation on related relationship and action-in-concert among above mentioned shareholders		The top three shareholders are the controlling legal-person shareholders. 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 as prescribed in The Regulations for Information Disclosure on the Change of Shares Held by the Shareholders of the Listed Companies.	

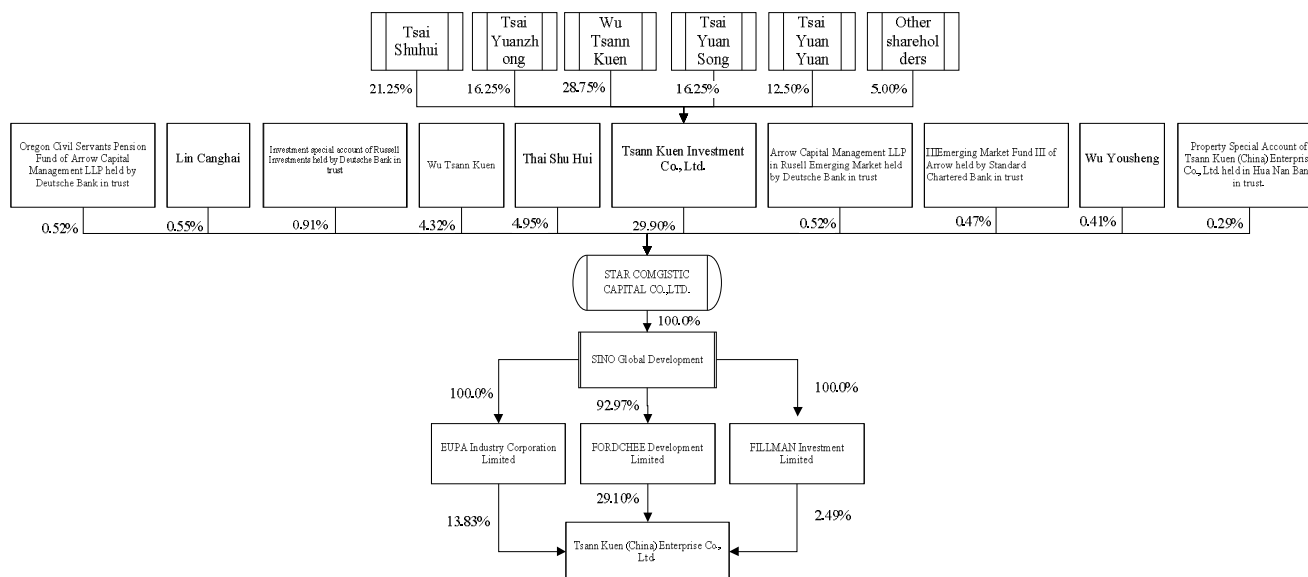
(III) About controlling shareholders

Name of shareholders	Legal Representative	Foundation date	Business scope	Registered capital	Pledge
FORDCHEE DEVELOPMENT LTD	Jian Derong	3 Jan. 1990	Investment	HKD 134,246,851	Naught
EUPA INDUSTRY CORPORATION LTD	Jian Derong	21 Jul. 1989	Investment	HKD 126,002,760	Naught
FILLMAN INVESTMENTS LTD	Jian Derong	21 Jul. 1992	Investment	HKD 62,400,000	Naught

(IV) About actual controlling shareholder

1. Name of actual controlling shareholder : Wu Tsann Kuen
2. Nationality : Taiwan
3. Right of abode in other countries or regions : None
4. Employment and position in the recent five years : Founder of Tsann Kuen Group in the mainland and Taiwan

5. Block diagram of the relationship between the Company and the real controlling shareholder



6. The actual controller controls the Company through trust or other means of asset management: No

IV. Particulars about Directors, Supervisors and Senior Management

(I) Shareholding changes of directors, supervisors and senior management

Applicable Inapplicable

(II) Changes in directors, supervisors and senior management

Applicable Inapplicable

On 23 Apr. 2011, the Company's original Secretary to the Board Mr. Luo Qingxing offered his resignation to the Board of Directors and left office for the reason of his personal career planning. On the same day, the Company convened the 2nd board meeting in 2011, at which the original Securities Affairs Representative Sun Meimei was engaged as Secretary to the Board of the Company. For details, please refer to the Public Notice on Secretary to the Board Leaving Office and Resolutions Made at 2nd Board Meeting in 2011 published on Securities Times and Hong Kong Ta Kung Pao dated 26 Apr. 2011.

The Company convened the Shareholders' General Meeting for Y2010 on 21 May 2011, at which reviewed and approved the Re-election of the members of the Board of Directors and the Supervisory Committee due to the expiration of their office terms. There the original independent director Xu Rentang left his office, and Jian Derong, Pan Zhirong, Zhuang Xing, Chen Yanjun, Lu Jianxin (Independent director), Ge Xiaoping (Independent director), Tu Liandong (Independent director) were elected and approved as the members of the 7th Board of Directors. Meanwhile, the original Shareholders-representative Supervisor of the 6th Supervisory Committee Zhou Zhonggeng, Diao Weiren left their office, Luo Qingxing and Wei Xuezhong were engaged as the Shareholders-representative Supervisor of the 7th Supervisory Committee. For details, please refer to the Public Notice on Resolutions Made at the Shareholders' General Meeting for Y2010 published on Securities Times and Hong Kong Ta Kung Pao dated 24 May. 2011.

The Company convened the First Staffs' Congress on 21 May 2011, at which elected Mr. Cai Shuren as the Staff-representative Supervisor of the 7th Supervisory Committee continuously. For details, please refer to the Public Notice on the First Staffs' Congress published on Securities Times and Hong Kong Ta Kung Pao dated 24 May. 2011.

On the third session of the Board of Directors and the third session of the Supervisory Committee for 2011 held on 21 May 2011, Mr. Jian Derong was elected as the Chairman for the Seventh Board of Directors and Mr. Luo Qingxing as the Chairman for the Seventh Supervisory Committee. For details, please refer to the Company's Announcement on Resolutions of the Third Session of the Board of Directors for 2011 and Announcement on Resolutions of the Third Session of the Supervisory Committee for 2011, both disclosed on Securities Times and Ta Kung Pao (HK) on 24 May 2011.

V. Report of the Board of Directors

(I) Discussion and analysis on the Company's performance for the reporting period

For the reporting period, the Company achieved operating revenues of RMB 1.373 billion, down 17.52% when compared with RMB 1.665 billion from a year earlier; and net profit of RMB 23 million, down 38.97% when compared with RMB 37 million from a year earlier. Operating revenues and net profit both experienced year-on-year decrease mainly due to the fact that the Company shifted its focus to people with ordinary incomes in the American and European markets considering the appreciation of RMB; and the fact that new products were launched not as early as before due to marketing strategy changes caused by the adjustment of the customer structure.

According to the strategic goals—focusing on main business, improving operational management and expanding emerging markets—set at the year-begin, with “cash and profit growth” as the highest guiding principal, customers' needs as the orientation, product quality as a guarantee and technical innovation as the means, the Company will continue to build a high-end service mode featuring “high speed, low cost and effective solution”, and rapidly create leading advantages in areas from R&D to the marketing system. We will also adjust our product mix, enhance supply chain management and renew the production technical process so as to reduce cost and provide products with high quality but competitive prices to our customers. In the future, we will continue to input for small household appliance R&D, increase competitiveness of our products through technical innovation, and take product innovation as the core of the Company's operation. Meanwhile, we will draw up plans for overseas production bases and LED green products, try to satisfy various purchase needs of customers worldwide, and stabilize and develop our long-term cooperation relationship with customers so as to achieve stable development on all business lines of the Company.

2. Main business lines and performance thereof

01. Classified according to industries and products

Unit: RMB Ten thousand

Main business lines classified according to industries						
Industries/products	Income of main business	Cost of main business	Gross profit ratio (%)	Increase/decrease of income from main business year-on-year (%)	Increase/decrease of cost of main business year-on-year (%)	Increase/decrease of gross profit ratio year-on-year (%)
Household appliance manufacture	132,597	116,173	12.39	-18.4	-19.17	0.84
Tourism	1,085	971	10.51	-31.53	-32.07	0.71
Total	133,682	117,145	12.37	-18.52	-19.30	0.84
Main business lines classified according to products						
Gourmet cooking	65,256	56,463	13.47	-11.05	-10.22	-0.80
Home assistant	44,754	40,773	8.90	-25.77	-25.72	-0.06
Tea/coffee	12,044	10,837	10.03	-34.87	-37.44	3.69
LED Green Products	6,293	5,138	18.36	277.85	532.94	-32.9
Other	4,250	2,962	30.3	-51.02	-62.07	20.32
Tourism	1,085	971	10.48	-31.53	-32.07	0.71
Total	133,682	117,145	12.37	-18.52	-19.30	0.84

Among which: The Company sold products and provided labor service, which incurred related-party transactions valuing RMB 174,041,400 in total, to the controlling shareholder and its subsidiaries in the reporting period.

Reasons for significant year-on-year changes of the gross profit ratio: N/A

02. Classified according to areas

Unit: RMB Ten thousand

Area	Income from main business	Increase/decrease of income from main business year-on-year (%)
Australia	8,184	42.19
Africa	1,519	25.61
America	55,606	-31.18
Europe	25,634	-5.16
Asia	42,739	-13.27
Total	133,682	-18.52

03. Products of which sales exceeded 10% of income from main business

Unit: RMB Ten thousand

Product	Proportion (%)	Sales income	Cost of sales	Gross profit ratio
Home assistant	33.48	44,754	40,773	8.89
Gourmet cooking	48.81	65,256	56,463	13.47
Tea/coffee	9.01	12,044	10,837	10.03
LED Green Products	4.71	6,293	5,138	18.36
Other	3.18	4,250	2,962	30.30
Tourism	0.81	1,085	971	10.48
Total	100.00	133,682	117,145	12.37

04. Explanation for significant changes of main business and its structure

Applicable Inapplicable

05. Explanation on reasons for significant changes in profitability (gross profit ratio) of main businesses compared with the previous year

Applicable Inapplicable

06. Analysis of reasons for significant changes in profit structure compared with last year

Applicable Inapplicable

Main business income was down 18.52% from a year earlier, which was mainly because the Company shifted its focus to people with ordinary incomes in the American and European markets considering the year-on-year appreciation of 4.7% of RMB; and new products were launched not as early as before due to marketing strategy changes caused by the adjustment of the customer structure.

3. Operating status and performance of the Company's main controlled companies and joint stock companies

01. Tsann Kuen China (Shanghai) Enterprise Co., Ltd.

A. Business nature: Manufacturing;

B. Business scope: Production of household appliances, electronic products, light industry products, modern office appliances and their related modules, various kinds of computers and their related equipments or spare parts. Development of computer software, IC packing and testing; sale of our own products (the export of which does not usually require a license and quota; where such a license or quota is required, it should be obtained before operation.)

C. Registered capital: USD 40,000,000

D: Asset scale: RMB 97,430,000

E: Net assets: RMB 96,120,000

F: Net profit: RMB -1,510,000

02. Tsann Kuen Zhangzhou Enterprise Co., Ltd.

A. Business nature: Manufacturing

B. Business scope: 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 food such as coffee, rice balls and dough; wholesale, after-sales service and technology service 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. Asset scale: RMB 2,356,860,000
- E. Net assets: RMB 1,283,730,000
- F. Net profit: RMB 37,910,000
- G. Over 10% net profit influence:
Main business income: RMB 1,310,050,000
Main business cost: RMB 1,150,830,000

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

- A. Business nature: Manufacturing
- B. Business scope: 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.) ; wholesale of electronics, chemicals (excluding hazardous materials), hardware plates, metal materials, packing materials, household appliances, etc. (not involving any state trading or any commodities under special government management such as the import & export quota certificate, export quota public bidding, export permit, etc.); providing agent service with commission charges (excluding auctions). (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: RMB 5,000,000
- D. Asset scale: RMB 14,240,000
- E. Net assets: RMB 10,960,000
- F. Net profit: RMB 40,000

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. Asset scale: RMB 6,160,000
- E. Net assets: RMB 1,980,000
- F. Net profit: RMB 520,000

05. Shanghai Star 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).

C. Registered capital: RMB 4,950,000

D. Asset scale: RMB 25,780,000

E. Net assets: RMB 4,940,000

F. Net profit: RMB 860,000

06. Xiamen Star International Travel Service Co., Ltd.

A. Business nature: Tourism

B. Business scope: 1. inbound and domestic tourist services; 2. providing personal accident insurance service as an agent. (Where an authority permit is required, such a permit will be obtained before the Company's operation.)

C. Registered capital: RMB 5,000,000

D. Asset scale: RMB 2,310,000

E. Net assets: RMB -2,160,000

F. Net profit: RMB -1,330,000

07. Xiamen Star Commerce & Trade Co., Ltd.

A. Business nature: sale of household appliances

B. Business scope: 1. wholesale and retail: daily necessities, household appliances, computer and its auxiliary products, communication equipment, electrical and mechanical equipment, office supplies, kitchen supplies and their auxiliary products; 2. import and export of various goods and technologies (the catalog of the imported and exported goods is not available in this report), excluding those whose import and export are restricted by the government. (Where an authority permit is required, such a permit will be obtained before the Company's operation.)

C. Registered capital: RMB 30,000,000

D. Asset scale: RMB 29,020,000

E. Net assets: RMB 29,120,000

F. Net profit: RMB 48,000

08. Xiamen Star Comgistic Capital Co., Ltd

A. Business nature: Sale of household appliances

B. Business scope: 1. 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; 2. Import and export of various goods and technologies (Without the attachments of catalogue of export & import products), while excluding those products and technologies restricted by the government or to be imported or exported. (Where an administrative license is required, such a license will be obtained before operation.)

C. Registered capital: RMB 28,000,000

D. Asset scale: RMB 27,980,000

E. Net assets: RMB 27,980,000

F. Net profit: RMB 2,500

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 and international routes, or HK, Macau and Taiwan routes. (Where an administrative license is required, such a license will be obtained before operation.)

C. Registered capital: RMB 5,500,000

D. Asset scale: RMB 9,320,000

E. Net assets: RMB 3,770,000

F. Net profit: RMB -550,000

10. Star International Travel Service (Dalian) Co., Ltd.

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 5,300,000

D. Asset scale: RMB 7,890,000

E. Net assets: RMB 1,060,000

F. Net profit: RMB 4,900

11. Xiamen Star 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. Asset scale: RMB 2,980,000

E. Net assets: RMB 1,050,000

F. Net profit: RMB -90,000

12. Brilliant Leader Co., Ltd.

A. Business nature: Comprehension

B. Business scope: Trade, purchasing agent, R&D of small household appliances, market research, etc.

C. Registered capital: USD 4,950,000

D. Asset scale: RMB 12,470,000

E. Net assets: RMB 8,050,000

F. Net profit: RMB -710,000

13. Globe Strong Co., Ltd.

A. Business nature: Comprehension

B. Business scope: Trade, purchasing agent, R&D of small household appliances, market research, etc.

C. Registered capital: USD 50,000

D. Asset scale: RMB 317,000

E. Net assets: RMB 314,000

F. Net profit: RMB -3,500

14. Pt. Tsann Kuen Zhangzhou Indonesia

A. Business nature: Manufacturing

B. Business scope: Production of small household appliances

C. Registered capital: USD 5,000,000

D. Asset scale: RMB 8,090,000

E. Net assets: RMB 8,090,000

F. Net profit: RMB -160,000

4. In the reporting period, significant changes occurred in the asset composition and relevant expenses compared with the same period of last year.

Unit: RMB Ten thousand

Items	Closing amount	Opening amount	Increase/decrease rate	Main reasons for the movement
Transactional financial assets	1,609.66	230.16	599.37%	Unsettled forward exchange contracts increased in the reporting period.
Interest receivable	8.92	12.82	-30.42%	Interest incomes from mature term deposits were recognized.
Other receivables	1,866.77	6,042.29	-69.10%	Export rebates for 2010 from the Zhangzhou Municipal Office of SAT were received.
Goodwill	99.70	249.70	-60.07%	Equity transfer of Suzhou Tai Lake
Taxes and fares payable	1,314.09	4,836.23	-72.83%	The input tax amount increased in the reporting period.
Other payables	20,566.16	9,069.72	126.76%	A borrowing of USD 20 million from the controlling shareholder in the reporting period
Deferred income tax liabilities	241.45	34.52	599.45%	Unsettled forward exchange contracts at the end of the reporting period were estimated to generate more profit.

Items	Accumulative amount in this period	Accumulative amount in the last period	Increase/decrease rate	Notes
Business taxes and surtaxes	806.75	209.94	284.28%	The city maintenance tax was levied as a new tax and surtax rates increased.
Financial expenses	248.31	(642.95)	138.62%	Foreign exchange loss increased due to a 4.7% year-on-year appreciation of RMB.

Items	Accumulative amount in this period	Accumulative amount in the last period	Increase/decrease rate	Notes
Asset impairment loss	7.76	338.74	-97.71%	Falling price loss on inventory was provisioned in the same period of last year.
Gain on fair value changes	1,379.50	(181.30)	860.89%	Unsettled forward exchange contracts at the end of the reporting period were estimated to generate more profit.
Investment gains	530.66	209.55	153.24%	More forward exchange contracts were settled.
Non-operating incomes	528.17	1,125.87	-53.09%	Decrease of gains on asset disposal
Net profit	3,165.87	4,990.16	-36.56%	Main business income and gains on asset disposal went down by RMB 330 million and RMB 3.97 million from a year earlier.
Net cash flows from operating activities	(12,478.70)	3,745.72	-433.15%	Decrease of main business income
Net cash flows from investing activities	(959.64)	260.69	-468.12%	Decrease of gains on asset disposal
Net cash flows from financing activities	10,888.14	(22,856.21)	147.64%	A borrowing from the controlling shareholder to the Company

(II) Investments made by the Company

Applicable Inapplicable

(III) Changes proposed by the Board of Directors to the business plan for the second half

Applicable Inapplicable

(IV) Significant related transactions resulted from co-investment with related parties

Applicable Inapplicable

(V) Cautions and explanations for the estimated loss of the accumulated net profit from the year-begin to the end of the next reporting period or significant fluctuation compared with that of the same period of the previous year

Applicable Inapplicable

(VI) Explanation of the Board of Directors on changes and handling of relevant events of the Qualified Auditor's Report produced by the CPA firm for the previous year

Applicable Inapplicable

VI. Significant Events

(I) Acquisition, sale and reorganization of assets

1. Asset acquisition

Applicable Inapplicable

2. Sale of asset

Applicable Inapplicable

In the reporting period, due to the needs of the spare parts plants in their actual operation, the Company sold a small quantity of equipments, which were detailed as follows:

Unit: RMB'0000 Yuan

Transaction party	Asset sold	Date of sale	Selling price	Net profit contributed to the Company by the sold asset from year-begin to the date of sale	Gains and losses due to selling the asset	Whether a related transaction or not	Explanation on pricing principle	Whether or not the ownership of the involved asset had been transferred	whether or not the relevant creditor's rights and liabilities had been transferred	Relationship with the Company					
Zhangzhou Baokun	Motor equipment	2011.01.31	12.00	5.47	5.47	Non-related company	The transaction prices were decided based on the principle of being above the book value, as well as the assessment and market prices.	Yes	Yes	Non-related company					
Zhangzhou Shunkun	Bakelite equipment	2011.01.31	0.35	0.31	0.31										
Zhangzhou Haikun	Die casting equipment	2011.02.28	36.20	34.33	34.33										
Zhangzhou Bo'er	Die casting equipment	2011.02.28	17.50	15.71	15.71										
Zhangzhou Yufeng	Die casting equipment	2011.02.28	6.30	6.18	6.18										
Zhangzhou Hongyuan	Die casting equipment	2011.02.28	3.60	3.53	3.53										
Zhangzhou Ruicheng	Die casting equipment	2011.02.28	6.00	5.88	5.88										
Zhangzhou Shengyuan	Hardware equipment	2011.03.30	5.20	4.46	4.46										
Zhangzhou Xiangkun	Hardware equipment	2011.03.30	2.67	2.42	2.42										
Zhangzhou Hewang	Bakelite equipment	2011.03.30	0.80	0.49	0.49										
Zhangzhou Haikun	Die casting equipment	2011.03.30	1.10	1.03	1.03										
Xiamen Pinrui	Hardware equipment	2011.04.30	1.90	0.50	0.50										
Xiamen Jinyuan	Hardware equipment	2011.04.30	40.37	2.84	2.84										
Zhangzhou Hailong	Hardware equipment	2011.04.30	2.15	1.68	1.68										
Zhangzhou Shengliang	Die casting equipment	2011.04.30	1.20	1.08	1.08										
Zhangzhou Shunkun	Bakelite equipment	2011.04.30	3.71	0.70	0.70										
Zhangzhou Yufeng	Die casting equipment	2011.04.30	2.08	2.04	2.04										
Zhangzhou Hongyuan	Die casting equipment	2011.04.30	3.20	2.27	2.27										
Zhangzhou Hongyuan	Die casting equipment	2011.04.30	11.50	3.19	3.19										
Xiamen Pinrui	Hardware equipment	2011.05.31	3.57	1.23	1.23										
Zhangzhou Haikun	Die casting equipment	2011.05.31	6.43	0.75	0.75										
Zhangzhou Haikun	Die casting equipment	2011.05.31	3.48	3.24	3.24										
Zhangzhou Shengliang	Die casting equipment	2011.05.31	1.20	1.13	1.13										
Zhangzhou Jiafeng	Wiring equipment	2011.05.31	1.60	0.67	0.67										
Xiamen Jingjing	Die casting equipment	2011.05.31	3.00	2.56	2.56										
Zhangzhou Ruicheng	Die casting equipment	2011.05.31	1.75	1.72	1.72										
Zhangzhou Hongyuan	Die casting equipment	2011.05.31	11.54	3.25	3.25										
Zhangzhou Hongyuan	Die casting equipment	2011.05.31	24.79	4.83	4.83										
Zhangzhou Jinkun	Fitting equipment	2011.06.30	6.45	2.82	2.82										
Zhangzhou Hongyuan	Die casting equipment	2011.06.30	10.79	9.23	9.23										
Zhangzhou Hewang	Bakelite equipment	2011.06.30	0.36	0.33	0.33										
Zhangzhou Haikun	Die casting equipment	2011.06.30	8.10	1.98	1.98										
Zhangzhou Yingfa	Bakelite equipment	2011.06.30	0.25	0.23	0.23										
Xiamen Jingjing	Die casting equipment	2011.06.30	1.10	1.00	1.00										
Zhangzhou Hongyuan	Die casting equipment	2011.06.30	3.64	3.57	3.57										
Total			245.87	132.65	132.65										

For details, please refer to Public Notice on Sale of Some Operation Assets of Spare Parts Plant by Share Controlling Subsidiary Zhangzhou Tsann Kuen, Public Notice on Explanation on Progress of Sale of Some Operation Assets of Spare Parts Plant by Share Controlling Subsidiary and New Assets

for Sale, and Public Notice on Explanation on Progress of Sale of Some Operation Assets of Spare Parts Plant by Share Controlling Subsidiary and New Assets for Sale for the Second Time, which were 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, 28 Apr. 2009 and 28 Apr. 2010.

3. Progress of these events after the publication of the Assets Reorganization Report or public notices on the purchases or sales of assets, as well as the influences of these events on the operation results and financial status of the Company in the reporting period

Applicable Inapplicable

(II) Guarantees

Applicable Inapplicable

Unit: RMB' 0000 Yuan

Guarantees provided for external parties (excluding guarantees provided for subsidiaries)									
Name of the guaranteed	Date and No. of Relevant public notice	Guarantee line	Date of occurrence (Date of signing agreement)	Actual amount of guarantee	Type of guarantee	Term of guarantee	Implementation accomplished or not	Guarantee for related parties or not	
Naught	Naught	0	Naught	0	Naught	Naught	Naught	Naught	
Total external guarantees lines examined and approved in the reporting period (A1)			Naught	Total external guarantees occurred in the reporting period (A2)			Naught		
Total external guarantee lines examined and approved at the period end (A3)			Naught	Balance of actual guarantees at the period end (A4)			Naught		
Guarantees provided for subsidiary companies									
Name of the guaranteed	Date and No. of Relevant public notice	Guarantee line	Date of occurrence (Date of signing agreement)	Actual amount of guarantee	Type of guarantee	Term of guarantee	Implementation accomplished or not	Guarantee for related parties or not	
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	2010/12/4;2010-030	8,000	2011/3/4	237	Joint responsibility	Within 1 year from term of debts implementation was expired	No	No	
	2010/12/4;2010-030	4,750	2010/12/4	161			No		
	2011/4/23;2011-008	10,000	2011/4/23	0			No		
Total guarantees lines for subsidiaries examined and approved in the reporting period (B1)			12,275	Total guarantees for subsidiaries occurred in the reporting period (B2)			398		
Total guarantee lines for subsidiaries examined and approved at the period end (B3)			25,025	Balance of actual guarantees at the period end (B4)			201		
Total guarantees of the Company (Total of the two above)									
Total guarantees lines examined and approved in the reporting period (A1+B1)			12,275	Total guarantees occurred in the reporting period (A2+B2)			398		
Total guarantees lines examined and approved at the report period (A3+B3)			25,025	Total balance of actual guarantees at the period end (A4+B4)			201		
Proportion of total actual guarantee amount (A4+B4) in net assets of the Company									0.42%
Among which:									

Amount of guarantees provided for shareholders, actual controller and other related parties (C)	Naught
Amount of debt guarantees provided directly or indirectly for parties with asset-liability ratio exceeding 70% (D)	Naught
Proportion of total guarantee amount exceeding 50% of the Company's net assets (E)	(23,800)
Total amount of the above three guarantees (C+D+E)	(23,800)
Explanation on possibility of taking several and joint liability involving immature guarantees	Naught

(III) Current of non-operating related creditor's right and debts

Applicable Inapplicable

Unit: RMB'0000 Yuan

Related party	Funds provided to related parties		Funds provide by related parties to the listed company	
	Occurred amount	Balance	Occurred amount	Balance
STAR COMGISTIC CAPITAL CO.,LTD.	0.00	0.00	1,507.67	436.36
TSANN KUEN USA INC	0.00	0.00	19.40	3.60
TSANN KUEN JAPAN CO., LTD.	0.00	0.00	1,125.41	261.25
STAR TRAVEL SERVICE CORP.	0.00	0.00	123.17	0.51
HONG KONG ALIENS INVESTMENT CO., LTD.	0.00	0.00	6,471.60	6,471.60
CHINA GLOBAL DEVELOPMENT CO., LTD.	0.00	0.00	6,471.60	6,471.60
Total	0.00	0.00	15,718.85	13,644.92

Of which: Listed company offered a capital of RMB 0.00 to controlling shareholders and its subsidiaries. The balance was RMB 0.00 in the report period.

(IV) Significant lawsuits and arbitrations

Applicable Inapplicable

(V) Other significant events and explanation on analysis to their influences and solutions

1 Securities investment

Applicable Inapplicable

2. Equity of other listed companies the Company held

Applicable Inapplicable

3. Statement on non-operating capital occupation by principal shareholder and affiliated enterprises and repayment

Applicable Inapplicable

4. Particulars about execution of commitments made by the Company, shareholders and actual controllers

Applicable Inapplicable

5. Preplan on Profit Distribution or Transferring capital reserves to share capital from the Board of Directors

Applicable Inapplicable

6. Particulars about other comprehensive earnings

Applicable Inapplicable

Unit: RMB Yuan

Items	Accumulative amount of this period	Occurred amount of last period
1. Profits (or losses) from the available-for-sale financial assets		(42,336.00)
Less: Effects on income tax generating from the available-for-sale financial assets		9,313.92
The amount in current period transferred into profit and loss that recognized into other comprehensive gains in prior period		
Subtotal	0.00	(33,022.08)
2. Interest in the investees' other comprehensive gains according to the equity method		
Less: Effects on income tax generating from the interest in the investees' other comprehensive gains according to the equity method		
Net value in current period transferred into profit and loss that recognized into other comprehensive gains in prior period		
Subtotal	0.00	0.00
3. Profits (or losses) from cash flow hedging instrument		
Less: Effects on income tax generating from the cash flow hedging instrument		
Net value in current period transferred into profit and loss that recognized into other comprehensive gains in prior period		
The adjustment value that is the converted initial recognition amount of arbitrage project		
Subtotal	0.00	0.00
4. Converted amount of foreign currency financial statement	(4,910.96)	651,220.33
Less: Net value of disposal of oversea operations that recognized into current profit and loss		
Subtotal	(4,910.96)	651,220.33
5. Others		
Less: Effects on income tax generating from the others that recognized into other comprehensive gains		
Net value in current period transferred into profit and loss that recognized into other comprehensive gains in prior period		
Subtotal	0.00	0.00
Total	(4,910.96)	618,198.25

7. Particulars about corporate governance

By the end of December 2008, governance of the Company has been executed in accordance with relevant documents from CSRC, and there was no discrepancy.

8. Fulfillment of commitments made by shareholders holding over 5% shares

Applicable Inapplicable

9. Explanation on the inquiries for the Company from CSRC in 2007

On Apr. 26, 2007, the Company received the Notice of Investigation (XDCT Zi No.0701) from CSRC for the Company was “suspected of violating securities regulations”. For detailed information, please refer to the Public Notice on Investigation from CSRC disclosed on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> dated 27 Apr. 2007; At present, the investigation has been almost finished and the Company will disclose the relevant information in time according to rules and regulations as soon as the result of CSRC investigation comes out.

10. Reception of researches, communication and interviews in the reporting period

In the reporting period, according to Guidelines on Fair Information Disclosure of Listed Companies, the Company and the staff in charge of relevant information disclosure strictly followed the principle of fair information disclosure by not treating visitors differently, or leaking undisclosed information of the Company to any particular party privately or selectively. The details were as follows:

Reception time	Reception place	Reception way	Visitor	Main discussion and materials provided
2011.01.05	Office of the Company	Field research	He Minji, the investment director, and Ouyang Jinwen, the analyst of Value Partners (HK) Limited	Operation status of the Company. No written information was provided.
2011.01.07		By telephone	Mr. Wang	
2011.01.21		By telephone	Mr. Wang	
2011.03.07		By telephone	Mr. Zhou	
2011.03.08		By telephone	Mr. Zhong	
2011.04.07		By telephone	Mr. Miao	
2011.05.11		By telephone	Mr. Chen	

(VI) Significant related transactions

1. For details about related transactions in the reporting period, please refer to the notes of financial statements.
2. Pricing principle of related transaction was in accordance with Arrangement on Advance Pricing for Business Current between related enterprises signed with State Administration of Taxation, and referred to principle of transaction fairness of the same industry.
3. Settlement way is according to contract signed by both parties.
4. Explanation on necessity and continuity of related-party transactions: to increase the efficiency of vertical work distribution within the Group, bring individual advantages together to give the best possible performance, greatly reduce costs and increase the market share by making use of the location

advantage of all related parties around the world.

(VII) Implementation of transactions of listed companies related to routine operation in the reporting period

Unit: (RMB) Yuan

Transaction Nature	Name of related parties	Transaction Type	Amount disclosed in 2011	Total amount from Jan.-Jun. 2011	Proportion
Purchase	STAR COMGISTIC CAPITAL CO.,LTD.	Raw material	30,000,000.00	11,156,148.32	37.19%
		Equipment/mould	1,000,000.00	84,385.00	8.44%
	Thermaster Electronic (Xiamen) Ltd.	Raw material	72,000,000.00	24,406,402.96	33.90%
Sale	STAR COMGISTIC CAPITAL CO.,LTD.	Finished goods	73,500,000.00	33,353,813.98	45.38%
	TSANN KUEN JAPAN CO., LTD.	Finished goods	232,200,000.00	135,833,993.47	58.50%
	Thermaster Electronic (Xiamen) Ltd.	Raw material	130,000.00	50,858.00	39.12%
	PT. STAR COMGISTIC	Finished goods		4,455,684.83	
Offering labor	STAR COMGISTIC CAPITAL CO.,LTD.	Technical service	18,200,000.00	7,914,482.47	43.49%
	STAR COMGISTIC CAPITAL CO.,LTD.	Service charge	1,550,000.00	558,357.18	36.02%
	TSANN KUEN JAPAN CO., LTD.	Commission	3,670,000.00	1,758,258.94	47.91%
	TSANN KUEN JAPAN CO., LTD.	Expense for repair, exchange and return of goods	20,000,000.00	7,682,023.81	38.41%
	TSANN KUEN USA INC	Commission	1,200,000.00	194,011.47	16.17%
Receiving labor	STAR TRAVEL SERVICE CORP.	Service cost	10,647,000.00	2,094,148.21	19.67%
Offering service	STAR TRAVEL SERVICE CORP.	Service income	2,007,600.00	397,880.79	19.82%
	Thermaster Electronic (Xiamen) Ltd.	Service income	14,300.00	0.00	0.00%

Note: Explanation on the difference between the disclosed data as at the year-begin and the disclosed data as at the period-end of PT. STAR COMGISTIC: Due to business need, the Company started to be involved in sales businesses successively with PT. STAR COMGISTIC in May. For more details, please refer to the Announcement on Expected New Routine Related-party Transactions for 2011 disclosed by the Company today on Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn>.

VII. Financial Report (Refer to Attachment)

(I) Auditor's opinion

Financial Report	<input checked="" type="checkbox"/> Un-audited	<input type="checkbox"/> Audited
Auditors' Report	<input type="checkbox"/> Qualified audit report	<input type="checkbox"/> Non-qualified audit report
Un-audited		

(II) Accounting statements

1. Balance sheet
2. Income statement
3. Cash flow statement
4. Statement of changes in owners' equity

VIII. Documents Available for Reference

(I) The Financial statements with signatures and seals of the legal representative, head of the accounting work, principal of the accounting organ.

(II) All the company's documents and announcement originals that were publicly disclosed during the reporting period on the newspapers designated by CSRC.

(III) Articles of Association of the Company.

(IV) The above-mentioned documents are placed in the secretary office of the Board of Directors.

Tsann Kuen (China) Enterprise Co., Ltd.

Chairman of the Board: Jian Derong

13 Aug. 2011

Tsann Kuen (China) Enterprise Co., Ltd.

Notes to the Financial Statements

For the Six Months Ended 30 Jun. 2011

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

Note 1: Company Profile

1.1 History

Tsann Kuen (China) Enterprise Co., Ltd. (hereafter “the Company or TKC”) was established in the People’s Republic of China (“the PRC”) in 1988 as a wholly owned foreign investment enterprise, the Company named in Tsann Kuen China (Xiamen) Ltd. firstly, invested by the Fordchee (Hongkong) Co., Ltd. , EUPA Industry Corporation Limited 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 an 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 30 June 2011, the Company’s share capital is CNY 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 Tsann Kuen (China) Enterprise Co., Ltd. shares traded sponsor of the approval》) , On December 6, 2006, the Company received the [2006] No.266 file 《The notice of Tsann Kuen (China) Enterprise Co., Ltd concerning the approval of non-listed foreign shares traded》 from China Securities Regulatory Commission. The China Securities Regulatory Commission agreed 700,476,830 unlisted shares (account for 62.97% of the share capital) hold by the Company’s shareholders, EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited to transfer into B shares. In November 29, 2007 these B shares could be listed and exercised on Shenzhen Stock Exchange. Up to 30 June 2011, total B shares hold by the three legal shareholders (EUPA Industry Corporation Limited, Fordchee Development Limited and Fillman Investment Limited) are 505,175,060 shares.(account for 45.42% of the share capital).

Legal representative: Jian, Derong

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

The parent: Star Comgistic Capital Co. Ltd.

1.2 Industry

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

1.3 Scope of business

The 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.

1.4 Main products

The Company's main products are: Household electrical appliance.

1.5 Main business of the Company remained unchanged during the reporting period.

Note 2: Summary of Significant accounting policies, accounting estimates and correct previous accounting period errors

2.1 Basis for preparation of the financial statements

The financial statements are prepared on the basis of going concern, with reference to the actual occurrence of transactions and events, and in accordance with the Enterprise Accounting Standards of China, the Practice Guide for Enterprise Accounting Standards of China and explanatory notes issued by the Ministry of Finance of the People's Republic of China and other relevant regulations (hereafter collectively, the Enterprise Accounting Standards of China or the CASs), as well as based on those accounting policies and accounting estimates that described in Note 2.

2.2 Declaration of compliance with the Enterprise Accounting Standards of China

The financial statements of (the Group and) the Company have been prepared in accordance with the Enterprise Accounting Standards of China and present truly, fairly and completely, in all material respects, the financial position of (the Group and) the Company as at 30 June 2011, the performance, the cash flows and other relevant information of (the Group and) the Company for the six months then ended.

2.3 Accounting year

The accounting year adopted by the Company is the calendar year (ie. from 1 January to 31 December).

2.4 Functional currency

The functional currency of the Company is the Renminbi (CNY).

2.5 Accounting methods for business combination

2.5.1 Business combination under common control

Identifiable assets acquired and liabilities assumed through business combination of an entity under common control are measured at their carrying amounts in the acquiree's account as at the combination date. The excess of the consideration for combination over the net identifiable assets acquired as at the combination date is debited to capital reserves, and to retained earnings where capital reserves are insufficient.

2.5.2 Business combination not under common control

Identifiable assets acquired and liabilities assumed through business combination of an entity not under common control are measured at their fair values as at the combination date. Goodwill as of the combination date is recognised and measured as the excess of the consideration for combination over the net identifiable assets acquired as at the combination date. If the net identifiable assets acquired as at the combination date exceeds the

consideration for combination, the excess of the consideration for combination over the net identifiable assets acquired as at the combination date, after the assessment of the fair value of the net identifiable assets acquired as at the combination date, is recognised as a gain through profit or loss for the reporting period in which the combination occurred.

2.6 Preparation of the consolidated financial statements

2.6.1 Scope of consolidated financial statements

The consolidated financial statements are prepared in accordance with CAS 33 – Consolidated Financial Statements issued on February 2006. The scope of consolidated financial statements, determined on the basis of control existence. The consolidated financial statements consolidate separate financial statements of the parent company and subsidiaries and entities for specific purposes directly or indirectly controlled by the parent company. Control exists is when the parent company has power to govern the financial and operating policies of an entity and is able to obtain economic benefits from the entity's operation.

If it is objectively evidential that the parent company has no control over a subsidiary, the subsidiary is excluded from consolidation.

2.6.2 Acquisition and disposal the shares of subsidiaries

The transaction date of acquisition or disposal of share of subsidiary is the date on which the risks and economic benefits associated with the transferred share is transferred to the transferee. The post-acquisition or pre-disposal performance and cash flows of a subsidiary acquired or disposed through business combination not under common control are adequately consolidated in the consolidated statement of comprehensive income and the consolidated statement of cash flows. The performance and cash flows for the current reporting period of a subsidiary acquired through business combination under common control during the current reporting period has consolidated in the consolidated statement of comprehensive income and the consolidated statement of cash flows; and, the comparables of the consolidated financial statements has adjusted accordingly.

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.

2.6.3 Uniform accounting policies and accounting period

Where the accounting policies and accounting period of a subsidiary are different from those of the parent company, the separate financial statements of the subsidiary are adjusted using the accounting policies and accounting period adopted by the parent company before consolidation. The separate financial statements of a subsidiary acquired through business combination not under common control are adjusted to reflect the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary as at the combination date before consolidation.

2.6.4 Consolidation method

During the preparation of the consolidated financial statements, intra-group balances and transactions are eliminated.

The net identifiable assets of subsidiaries attributable to minority interest of subsidiaries are separately presented in the consolidated financial statements.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term and highly liquid investments and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.8 Transactions denominated in foreign currencies and translation of financial statements denominated in foreign currencies

2.8.1 Transactions denominated in foreign currencies

Transactions denominated in foreign currencies (currencies other than the functional currency) are accounted for in the functional currency using the transaction-date spot exchange rates (the middle rates quoted by the People's Bank of China; hereafter, the same applies).

Monetary assets held on a balance sheet date denominated in foreign currencies are translated into the functional currency using the balance-sheet-date spot exchange rates; differences in value arising from differences between the transaction-date spot exchange rates and the balance-sheet-date spot exchange rates are accounted for through profit or loss for the reporting period ended on that balance sheet date. Non-monetary assets held and liabilities outstanding on a balance sheet date measured using the historical cost convention are translated into the functional currency using the transaction-date spot exchange rates. Non-monetary assets held and liabilities outstanding on a balance sheet date measured at fair value are translated into the functional currency using the spot exchange rates prevailing on the dates of fair value assessments; differences in value arising from differences between the transaction-date spot exchange rates and the assessment-date spot exchange rates are accounted for through profit or loss for the reporting period during which the assessments occurred.

2.8.2 Translation of financial statements denominated in foreign currencies

① Elements of assets and liabilities of financial statements denominated in foreign currencies are translated into the functional currency using the balance-sheet-date spot exchange rates; elements of owner's equity of financial statements denominated in foreign currencies, except undistributed profit, are translated into the functional currencies using the transaction-dates spot exchange rates.

② Elements of income and expenses of financial statements denominated in foreign currencies are translated into the functional currency using the transaction-date spot exchange rates.

Foreign exchange differences arising from treatments described in the above paragraph are separately presented in the financial statements as an element of owners' equity.

③ Cash flows denominated in foreign currencies are translated into the functional currency using the transaction-date spot exchange rates. The impact of changes in exchange rates on cash flows is separately presented in the statement of cash flows.

2.9 Financial instruments

2.9.1 Classification of financial assets and financial liabilities

Financial assets, according to their purposes of investment and economic substance, are classified into fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets four categories.

Financial liabilities, according to their economic substance, are classified 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; or
- 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.

② Held-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.

③ Receivables: 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.

④ Available-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.

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

2.9.2 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:

① Financial 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.

② Held-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.

③ Loans 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.

A financial guarantee contracts not classified into financial liabilities designated at fair value with changes in fair value accounted through profit for loss for the relevant reporting period or a deep-discounted loan not classified into financial liabilities designated at fair value with changes in fair value accounted through profit for loss for the relevant reporting period is subsequently measured at the higher of the amount determined by CAS 13 – Contingencies and the residual amount after deducting the cumulative amortisation determined by CAS 14 – Revenue from the amount upon the initial recognition.

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.

2.9.3 Transfer and derecognition 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.

② When 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.

③ If 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.

④ If 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.

2.9.4 Impairment assessment of and impairment allowance for 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.

② On balance sheet date, the Company should adopt different impairment test method for different category of 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 judgment 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.

2.10 Accounts receivable

2.10.1 Accounts receivable belong to individual significance and individually assessed for impairment:

Criteria and norm of individual significance: On the balance sheet date, those individual accounts receivable and individual other receivable account for more than 10% (include 10%) of total balance of the accounts receivable is considered as individual significant amounts.

Measurement of impairment allowances for receivables of individual significance: A receivable of individual significance is individually assessed for impairment on the balance sheet date. If it is objectively evidential that a receivable of individual significance has impaired, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows.

If receivable of individual significance is not impaired by individually assessed for impairment, the impairment loss shall be recognized based on the accounts' age (as credit risk portfolio), refer to Note 2.10.2 for details.

2.10.2 Accounts receivable belong to recognition of impairment allowances by group:

<u>Group type</u>	<u>Basis of determination of group</u>	<u>Method for recognition of impairment allowances by group</u>
Account's age group	Condition of account's age	Age analysis
Relatedparty group	Relationship of related parties	Not recognise impairment allowances

Adopt the age analysis method:

<u>Age</u>	<u>% for accounts receivable</u>	<u>% for other receivables</u>
1-90 days	0.00	0.00
91-180 days	10.00	10.00
181-270 days	30.00	30.00
271-365 days	50.00	50.00
Over 365 days	100.00	100.00

Adopt other methods:

<u>Group name</u>	<u>Explanation</u>
Related party group	Not recognise impairment allowances for balances of related party transaction

2.10.3 Accounts receivable belong to individually insignificant but individually assessed for impairment:

The reason for individually assessed for impairment: the credit risk is high.

Method for recognition of impairment allowances: A receivable which is individually insignificant but the credit risk is high, should be individually assessed for impairment, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows.

2.10.4 The Company according to the contract agreed date as credit expire date to collect the long-term accounts receivable, the account age counted after the contract agreed date, and considered the debtor's actual business situation to determine the percentage of provision for impairment allowances:

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

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

2.11 Inventories

2.11.1 Classification of inventories

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

2.11.2 Measurement of inventories upon issuance

Inventories are measured using the weighted average method upon issuance. Inventories are initially carried at standard costs; cumulative cost variation shall be incorporated at the year-end so that standard costs matches actual costs.

2.11.3 Determination of net realisable value of inventories and recognition of impairment allowances for inventories

① Estimates 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 realizable value of the excess is based on general selling prices.

② Withdrawal method of 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.

2.11.4 Inventories physical count system

The inventory physical count system adopted by the Company is the perpetual inventory system.

2.11.5 Low-value consumables and packaging materials

Low-value consumables and packaging materials are expended using the full amortization method.

2.12 Long-term equity investments

Long-term equity investment including the equity investments held by the Company, who can able to exercise control, joint control or significant influence over the investees, or the Company do not have control, joint control or significant influence over the investees, and which are not quoted in an active market and of which the fair values cannot be reliably measured.

2.12.1 Investment cost of long-term equity investments

The Company separates the following two cases of long-term equity investment for 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 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 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 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 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 into 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 audit fees, legal services fees, assessment and consultation fees and other costs directly related to business combinations shall be recognised in the transaction period profits and losses, while instruments issued as the consideration of business combinations, the issuing expenses of bonds or equity instruments recognised as the initial costs of bonds or equity instruments included in the cost of business combinations (except for issuing expenses of bonds and equity instruments).

② Other long-term equity investment that obtained not through business combinations, accordance with the following principles to determine the investment costs:

a. Long-term equity investment, which is acquired by cash consideration, the actual cash payment amount will be deemed as the investment cost. The 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 investment cost.

c. For those long-term equity investments that invested by the investors, the values agreed in the investment contracts or agreements will be deemed as the 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 the 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 investment cost; the difference between the fair values of the assets and book values will be recognised 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 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 investment cost; the difference between the investment cost and book values of credit will be recognised into the current profit and loss.

2.12.2 Subsequent measurement of long-term equity instruments and recognition of gains or losses

The historical cost convention 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 adopt historical cost convention 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 adopt 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 a long-term equity investment is subsequently measured using the historical cost convention, 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 investment cost.

b. When a long-term equity investment is subsequently measured using the 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.

Investment income for the reporting period is recognised as the investor's share of the net profit or loss of the investee for that reporting period. In computing the investor's share of the net profit or loss of the investee, the net profit or loss of the investee in the investee's account is adjusted for non-uniform accounting policies, the increased or decreased depreciation and amortization resulting from the acquisition fair value adjustments on fixed assets and intangible assets of the investee, the acquisition fair value adjustments on impairment allowance for assets and the elimination of intra-group transaction except losses arising from intra-group transactions which are impairment loss on assets in accordance with CAS 8 – Impairment of assets.

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 there 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.

2.12.3 Criterion for the existence of joint control or significant influence

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 manage the jointly controlled company, through control or agreement, but the management must follow all venturers' 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; ②participation 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.

2.12.4 Impairment assessment for long-term equity investments and recognition of impairment allowance for long-term equity investments:

Each long-term equity investment is individually assessed for impairment on the balance sheet date. The assessment takes into account factors such as the investee's operating strategies, the legal environment in which the investee operates, the demand of the market in which the investee operates and the investee's profit-making

ability to determine whether a long-term equity investment is subject to impairment. If the carrying amount of a long-term equity investment exceeds its net recoverable amount as at the balance sheet date, the excess is recognised as impairment loss of assets for the reporting period during which the impairment occurred; and an impairment allowance for that long-term equity investment of equal amount is also recognised. The recognised impairment loss for long-term equity investment is irreversible.

2.13 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.

2.13.1 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 estimated useful life, net residual rate and annual depreciation rate of investment property set out below:

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

2.13.2 Basis of impairment of property investment is measured by cost model

On 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.

2.14 Fixed assets

2.14.1 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:

- ① The 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.

2.14.2 Depreciation of fixed assets

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

The estimated useful lives, the estimated residual rates and the annual depreciation rate of each class of fixed assets are set out below:

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

2.14.3 Impairment assessment for fixed assets and recognition of impairment allowance for fixed assets

On 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, the Company 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.

2.14.4 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 recognize 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.

2.15 Construction in progress

2.15.1 Category of construction in progress

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

2.15.2 Criteria for conversion of construction in progress 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.

2.15.3 Impairment assessment for construction in progress and recognition of impairment allowance for 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;
- ② evidence is available of obsolescence in either function or technical, and bring great uncertainty for the cash inflows to the Company;
- ③ other indications that project may be impaired.

2.16 Borrowing costs

2.16.1 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.

Capitalization 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.

2.16.2 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.

2.17 Intangible assets

2.17.1 Recognition and measurement of intangible assets:

Intangible assets are recognized initially at cost.

2.17.2 Estimate of useful life and amortization 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.

2.17.3 Impairment assessment for infinite useful years assets and recognition of impairment allowance for infinite useful years assets

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 impairment allowance. The recognised impairment allowance is irreversible in subsequent reporting periods.

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.

2.17.4 The rules of divide the research stage and the development stage of internal research and development 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.

2.18 Long-term deferred expenditure

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

2.19 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 Company 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).

2.20 Accrued liabilities

2.20.1 Recognition of accrued liabilities:

Obligation with contingency factor such as external hypothecate, lawsuit or arbitrage in dispute, guarantee on

quality of product, cut-down plan, loss of contract, recombine obligation, obligation on abandon fixed asset, and meet the follow condition simultaneously would determined as liabilities:

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

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

2.20.2 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.

2.20.3 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:

- ① If the contingent event is involved in an individual project, the optimum evaluation amount will be determined base on the most possible amount;
- ② If 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.

2.21 Shares-based payment and equity instrument

2.21.1 Categories of share-based payment

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

① Cash-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.

② Equity-settled share-based payment

The measurement is based 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 relation to cost and expense and increase capital reserves corresponds to it.

On each balance sheet date, a best estimate 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 basis of service award by the Company, according to the fair value of company's liability.

2.21.2 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 circumstances. If there are 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.

2.21.3 Basis of the best estimate of vesting equity instrument's recognition

On each balance sheet date of waiting-period, the Company shall recognize 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.

2.21.4 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 completion of a specified period of service or can be satisfied pre-requirement, on each balance sheet date of waiting-period, the Company shall recognize 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 relation to cost and expense and increase capital reserves corresponds to it.

④ If the equity instruments granted do not vest until completion of a specified period of service or can be satisfied pre-requirement, on each balance sheet date of waiting-period, the Company shall recognize 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.

2.22 Share repurchase

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 capital reserve(share premium).

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

If the transfer revenue received higher than the cost of the treasury stock, transfer the treasury stock, 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.

2.23 Revenue

Recognition and measurement of revenue:

2.23.1 Revenue from sales of goods

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

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

2.23.2 Revenue from construction contracts

① When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses 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.

② When 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.

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

2.23.3 Revenue from rendering of services

① The Company 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.

② When 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.

2.23.4 Revenue from transfer of assets use right

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

- ① the economic benefits related to the transaction are probably will flow into the Company;
- ② the 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.

2.24 Government grants

2.24.1 Recognition of government grants

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

2.24.2 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.

2.24.3 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.

2.24.4 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.

2.25 Deferred tax assets and deferred tax liabilities

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 tax assets or liabilities according the predict period of recover assets or discharge liabilities.

2.25.1 Recognition of deferred income tax assets

① Deferred 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 tax assets arise from initial recognize of assets 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.

2.25.2 Recognition of deferred tax liabilities

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.

2.25.3 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 utilized. Any such reduction should be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2.26 Operating leases and finance leases

2.26.1 Operating lease

① When the Company as the Lessee under operating lease, lease payments under an operating lease shall be recognized 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.

② When the 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 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.

2.26.2 Finance lease

① At the commencement of the lease term, lessees shall recognize 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.

② When the Company as the lessor under finance lease, lessor shall recognize 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 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 other operating income.

2.27 Non-current assets held for sale

2.27.1 Recognition of non-current assets held for sale

The Company 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 assets;
- 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.

2.27.2 Accounting treatment

A non-current asset classified as held for sale is measured at the net residual amount after deducting the costs necessary to make a sale from its held-for-sale-classification fair value upon classification. The net residual amount is capped by the carrying amount of the asset immediately before the classification. The excess of the carrying amount of the asset immediately before the classification over the net residual amount is accounted for as impairment loss on assets for the reporting period during which the asset is classified as held for sale.

If a non-current asset (or disposal group) held for sale no longer meets the criteria for recognition as held for sale, the asset (or disposal group) is ceased to be recognised as held for sale and measured at the lower of:

- ① Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization 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.

2.28 Significant changes of accounting policies and accounting estimates

2.28.1 Changes of accounting polices

There are no changes in accounting policies during current reporting period.

2.28.2 Changes of accounting estimates

There are no changes in accounting estimates during current reporting period.

2.29 Corrections of errors of prior periods

There are no corrections of errors of prior periods during current reporting period.

Note 3: Taxation

3.1 Taxes and surcharges applicable to the Company:

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of products and raw materials	0、17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	1
Corporate income tax	Taxable profits	24

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.

3.2 Taxes and surcharges applicable to primary subsidiaries:

3.2.1 Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL)

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of product and raw material	0、17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	5
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	1
Corporate income tax	Taxable profit	15

Subsidy Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. is defined as a high technology enterprise. According to the tax law, corporate income tax rate is 15% for the year 2010.

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

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of product and raw material	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	5
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Corporate income tax	Taxable profit	25

Subsidy Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. 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 Corporate income tax rate for the Company on 2009 is 12.5%, and on 2010 is 25%.

3.2.3 Tsann Kuen China (Shang Hai) Enterprise Co., Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of product and raw material	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Corporate income tax	Taxable profit	25

3.2.4 Shanghai Canxing Trading Co.,Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of product and raw material	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Corporate income tax	Taxable profit	25

3.2.5 Star Travel International (Xia Men) Co.,Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Corporate income tax	Taxable profit	25

3.2.6 Xiamen Canxing Trading Co.,Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of product and raw material	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Corporate income tax	Taxable profit	25

3.2.7 Shanghai Fanxin Airlines Service Co., Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Corporate income tax	Taxable profit	25

3.2.8 Star Travel International (Da Lian) Co.,Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Corporate income tax	Taxable profit	25

3.2.9 Xiamen Star Comgistic Trading Co.,Ltd.

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of product and raw material	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	7
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	1
Corporate income tax	Taxable profit	25

3.2.10 Hongkong Brilliant Leader Limited (Brilliant Leader Ltd)

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Corporate income tax	Taxable profit	16.5%

3.2.11 Hongkong Globe Strong Limited (Globe Strong Ltd)

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Corporate income tax	Taxable profit	16.5%

3.2.12 PT. TSANN KUEN ZHANGZHOU INDONESIA

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
VAT	Trade amount	10%
Corporate income tax	Income tax after tax auditing service	25%

IV. Business combination and the consolidated financial statements

4.1 Circumstance of subsidiaries

4.1.1 Subsidiaries acquired through incorporation or investment

<u>Subsidiaries</u>	<u>Type of incorporation</u>	<u>Place of registration</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
TsannKuen (Zhangzhou) EnterpriseCo., Ltd.(TKL)	Sino-foreign joint venture	Zhangzhou	Manufacture home electronic appliance	USD 160 million	Development, production and sales of small home electronic appliance, new style of electronic device, light-industrial product, and modern furniture and relative modules
StarTravel International(Xia Men) Co.,Ltd.(TSX)	Limited liability company	Xiamen	Travel business	CNY 5 million	Inbound tourism business; domestic tourism business

Subsidiaries acquired through incorporation or investment (Continued)

<u>Subsidiaries</u>	<u>* Actual amount of investment as at 30/6/2011</u>	<u>The balance of other items that constitute the net investment in subsidiary</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
TKL	USD 120 million	0.00	75.00	75.00
TSX	CNY 5 million	0.00	100.00	100.00

Subsidiaries acquired through incorporation or investment (Continued)

<u>Subsidiaries</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 to their quotient of the beginning of the period</u>
TKL	Yes	323,979,988.28	0.00	0.00
TSX	Yes	0.00	0.00	0.00

4.1.2 Subsidiaries acquired through business combination under common control

<u>Subsidiaries</u>	<u>Type of incorporation</u>	<u>Place of registration</u>	<u>Nature of business</u>	<u>Registered capital</u>	<u>Business scope</u>
TsannKuenChina (ShangHai) Enterprise Co., Ltd. (TKS)	Sino-foreign joint venture	Shanghai	Manufacture home electronic appliance	USD 40 million	Manufacture and sales of small home electronic appliance, electronic device, light-industrial product, and modern furniture and relative modules

Subsidiaries acquired through business combination under common control (Continued)

<u>Subsidiaries</u>	<u>* Actual amount of investment as at 31/12/2010</u>	<u>The balance of other items that, substantially constitute the net investment in subsidiary</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
TKS	USD25 million	0.00	62.50	62.50

Subsidiaries acquired through business combination under common control (Continued)

<u>Subsidiaries</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 to their quotient of the beginning of the period</u>
TKS	Yes	36,045,629.36	566,692.72	0.00

4.2. Circumstance of sub-subsidiaries

4.2.1 Sub-subsidiaries acquired through incorporation or investment

<u>Sub-subsidiaries</u>	<u>Type of incorporation</u>	<u>Place of registration</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
TsannKuen (Zhangzhou) SouthPort Electronics EnterpriseCo., Ltd. (TKN)	Sino-foreign joint venture	Zhangzhou	Manufacture home electronic appliance	CNY 5 million	Development and production of small home electronic appliance, new style of electronic device, light-industrial product, and modern furniture
TsannKuen (Zhangzhou) Professionand	Nonbusiness Enterprise Run by local	Zhangzhou	Secondary vocational education	CNY 3million	Secondary vocational education

<u>Sub-subsidiaries</u>	<u>Type of incorporation</u>		<u>Place of registration</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
Technology Institute (LTC)	People					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 is non-food way)
Shanghai Canxing Trading Co.,Ltd (STD)	Limited liability company		Shanghai	Sales of home electronic	CNY 4.95million	Wholesale, retail, general merchandise, home electronic appliance, computer and its fitting equipment, communication equipments, mechanical and electronic equipments, office equipments, kitchen appliance and related complete product; Import or export products or technology, but those products prohibit by the Country are exempt..
Xiamen Canxing Trading Co.,Ltd. (TSX3C)	Limited liability company		Xiamen	Sales of home electronic	CNY 30million	Wholesale, retail, general merchandise, home electronic appliance, computer and its fitting equipment, communication equipments, mechanical and electronic equipments, office equipments, kitchen appliance and related complete product; Import or export products or technology, but those products prohibit by the Country are exempt..
XiamenStar Comgistic Trading Co.,Ltd. (SCCX)	Limited liability company		Xiamen	Sales of home electronic	CNY 28million	Wholesale, retail, general merchandise, home electronic appliance, computer and its fitting equipment, communication equipments, mechanical and electronic equipments, office equipments, kitchen appliance and related complete product; Import or export products or technology, but those products prohibit by the Country are exempt..
Hongkong Brilliant Leader Limited (Brilliant Leader Ltd)	Limited liability company		Hongkong	Trade, Investment	USD 4.95million	Investment business for industry of home electronic appliance, receive trade orders, agency procurement, research and development home electronic appliance, market research, etc.
Hongkong Globe Strong Limited (Globe Strong Ltd)	Limited liability company		Hongkong	Trade, Investment	USD 50,000	Investment business for industry of home electronic appliance, receive trade orders, agency procurement, research and development home electronic appliance, market research, etc.
PT. TSANN KUEN ZHANGZHOU INDONESIA (TKLI)	Limited liability company		Indonesia	Manufacture of home electronic	USD 5million	Manufacture industry

Sub-subsidiaries acquired through incorporation or investment (Continued)

<u>Sub-subsidiaries</u>	<u>Actual amount of investment as at 30/6/2011</u>	<u>The balance of other items that, substantially constitute the net investment in sub-subsidiary</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
TKN	CNY 3.75million	0.00	75.00	75.00
LTC	CNY 3million	0.00	75.00	100.00
STD	CNY 4.95million	0.00	75.00	100.00
TSX3C	CNY 30million	0.00	75.00	100.00
SCCX	CNY 28million	0.00	75.00	100.00
Brilliant Leader Ltd	USD 1.41million	0.00	75.00	100.00
Globe Strong Ltd	USD 50,000	0.00	75.00	100.00
ITK	USD 1,262.600	0.00	75.00	100.00

Sub-subsidiaries acquired through incorporation or investment (Continued)

<u>Sub-subsidiaries</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 sub-subsidiary's current loss undertaken by the minority shareholders according their quotient of the beginning of the period</u>
TKN	Yes	2,747,536.91	0.00	0.00
LTC	Yes	0.00	0.00	0.00
STD	Yes	0.00	0.00	0.00
TSX3C	Yes	0.00	0.00	0.00
SCCX	Yes	0.00	0.00	0.00
Brilliant Leader Ltd	Yes	0.00	0.00	0.00
Globe Strong Ltd	Yes	0.00	0.00	0.00
TKLI	Yes	0.00	0.00	0.00

4.2.2 Sub-subsidiaries acquired through business combination not under common control

<u>Sub-subsidiaries</u>	<u>Type of incorporation</u>	<u>Place of registration</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Business scope</u>
Shanghai Fanxin Airlines Service Co., Ltd. (TSST)	Limited liability company	Shanghai	Ticket agent	CNY 5.5million	Engage in domestic airline of civil air transport sales agency business, except in Hong Kong, Macao, and Taiwan regions
Star Travel International (Da Lian) Co.,Ltd. (TSD)	Limited liability company	Dalian	Travel business	CNY 5.3million	Inbound tourism business; outbound tourism business; domestic tourism business; travel products research and sales
Xiamen Canxing Airlines Service Co., Ltd.(TSXT)	Limited liability company	Xiamen	Ticket agent	CNY 1.5million	Ticket agent(Engage in domestic airline of civil air transport sales agency business, except in Hong Kong, Macao, and Taiwan regions)

Sub-subsidiaries acquired through business combination not under common control (Continued)

<u>Sub-subsidiaries</u>	<u>* Actual amount of investment as at 30/6/2011</u>	<u>The balance of other items that, substantially constitute the net investment in sub-subsidiary</u>	<u>Holding proportion %</u>	<u>Voting rights proportion %</u>
TSST	CNY 0.99 million	0.00	75.00	100.00
TSD	CNY 5.247million	0.00	74.25	99.00
TSXT	CNY 1.25million	0.00	75.00	100.00

Sub-subsidiaries acquired through business combination not under common control (Continued)

<u>Sub-subsidiaries</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 sub-subsidiary's current loss undertaken by the minority shareholders according their quotient of the beginning of the period</u>
TSST	Yes	0.00	0.00	0.00
TSD	Yes	10,638.02	0.00	0.00
TSXT	Yes	0.00	0.00	0.00

4.3 Changes of scope of consolidation financial statements

Suzhou Tai Lake International Travel Service Co., Ltd., of which 100% equity that had been held by Tang Yijun was purchased on 10 Sept. 2010 by Xiamen Star Commerce & Trade Co., Ltd. with monetary capital of CNY 486,867.80, has a registered capital of CNY 1.50 million. Due to business needs, the Company transferred the equity of Suzhou Tai Lake International Travel Service Co., Ltd. in this March, which was thus de-consolidated for the reporting period. But earnings, expenses and profits generated by the enterprise before the equity transfer were included in the consolidated income statement.

The Company's subsidiary Tsann Kuen Zhangzhou Enterprise Co. Ltd. intended to invest its own capital of USD 5,000,000 to establish 2 wholly-owned subsidiaries in Hong Kong, namely Brilliant Leader Co., Ltd. and Globe Strong Co., Ltd. (or Hong Kong Brilliant Leader and Hong Kong Globe Strong for short), of which the registered capital recorded at USD 4,950,000 and USD 50,000 respectively. Tsann Kuen Zhangzhou Enterprise Co. Ltd. had finished commercial registration procedures of Hong Kong Brilliant Leader and Hong Kong Globe Strong on 28 Sep. 2010 and paid investment of USD 2,660,000 and USD 50,000 to Hong Kong Brilliant Leader and Hong Kong Globe Strong respectively up to the date of this announcement.

Brilliant Leader Co., Ltd. and Globe Strong Co., Ltd., both wholly-owned subsidiaries of the Company's subsidiary Tsann Kuen Zhangzhou Enterprise Co. Ltd., made joint investments in Pt. Tsann Kuen Zhangzhou Indonesia with USD 4,950,000 and USD 50,000 respectively. Up to 30 Jun. 2011, Brilliant Leader Co., Ltd. and Globe Strong Co., Ltd. had respectively paid USD 1,250,000 and USD 12,627 with monetary funds. As such, Pt. Tsann Kuen Zhangzhou Indonesia was newly included in the consolidation scope for the reporting period.

4.4 New subsidiaries included in the consolidated financial statement during current reporting period and subsidiaries no longer included in the consolidated financial statement during current reporting period

4.4.1 New subsidiaries included in the consolidated financial statement during current reporting period

<u>Subsidiaries</u>	<u>Date of written into consolidated financial statement</u>	<u>Net profit for the current reporting period</u>	<u>Net profit of current period</u>	<u>Reason for changes in consolidation scope</u>
TKLI	21 Apr.2011	8,089,638.76	(158,669.09)	Established

4.4.2 Subsidiaries no longer included in the consolidated financial statement during current reporting period

<u>Subsidiaries</u>	<u>Date that no longer included in the consolidated scope</u>	<u>Net assets value as at the date of disposal</u>	<u>Net profit for the period from 12/31/2010 to the date of disposal</u>	<u>Reason for changes in consolidated scope</u>
TSSZ	1 Mar. 2011	(1,297,175.94)	(119,956.55)	Equity transfer

4.5 Foreign exchange rates applicable to significant elements of financial statements of overseas operating entities

Within the consolidated financial statement, Brilliant Leader Ltd and Globe Strong Ltd were overseas business entities, the functional currency adopted HKD. The applicable exchange rate is HKD/CNY 0.83162 (the balance sheet date spot rate) for assets and liabilities items; elements of owner's equity of financial statements except undistributed profit, are translated into the functional currencies using the exchange rate is HKD/CNY 0.85447 (the transaction-dates spot exchange rates); elements of income and expenses of financial statements denominated in foreign currencies are translated into the functional currency using the spot exchange rate of HKD/CNY at the transaction-date; foreign exchange differences arising from treatments described in the above paragraph are separately presented in the financial statements as an element of owners' equity.

Within the consolidated financial statement, TKLI were overseas business entity, the functional currency adopted IDR. The applicable exchange rate is HKD/CNY 0.000754 (the balance sheet date spot rate) for assets and liabilities items; elements of owner's equity of financial statements except undistributed profit, are translated into the functional currencies using the exchange rate is HKD/CNY 0.000753 (the transaction-dates spot exchange rates); elements of income and expenses of financial statements denominated in foreign currencies are translated into the functional currency using the spot exchange rate of IDR/CNY at the transaction-date; foreign exchange differences arising from treatments described in the above paragraph are separately presented in the financial statements as an element of owners' equity.

Statement of Financial Position

Un-audited

As at 30 June 2011

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renminbi (CNY)

Items	Note	As at 30 June 2011		As at 31 Dec. 2010	
		Consolidation	The Company	Consolidation	The Company
Current assets:					
Monetary funds	V.1	597,930,971.16	16,091,077.74	640,945,107.83	904,966.64
Held for trading financial assets	V.2	16,096,613.00		2,301,579.95	
Notes receivable	V.3	4,816,348.40		4,304,903.10	
Accounts receivable	V.5	544,589,326.69		458,742,818.28	
Advances to suppliers	V.6	6,778,076.34	104,433.38	8,658,966.52	93,254.00
Interests receivable	V.4	89,249.79		128,237.14	
Dividends receivable					
Other receivables	V.7	18,667,742.77	2,840,658.25	60,422,920.42	126,090.00
Inventories	V.8	336,899,692.02		276,589,483.95	
Non-current assets due within one year					
Other current assets					
Total current assets		1,525,868,020.17	19,036,169.37	1,452,094,017.19	1,124,310.64
Non-current assets:					
Available-for-sale financial assets					
Held-to-maturity investments					
Long-term receivables	V.9	60,247,157.64		71,186,747.74	
Long-term equity investments	V.10	40,000.00	990,854,030.83	40,000.00	990,854,030.83
Investment property	V.11	27,762,244.89	23,487,687.49	29,344,230.78	24,409,738.09
Fixed assets	V.12	328,831,807.49	25,112,591.06	367,750,001.33	27,071,431.70
Construction in progress	V.13	2,206,716.38		2,842,516.56	
Materials held for construction					
Fixed assets held for sale					
Biological assets held for production					
Oil and gas assets					
Intangible assets	V.14	23,774,099.03	18,807,747.84	25,021,404.35	19,315,381.38
Development expenditure					
Goodwill	V.15	996,979.09		2,496,979.09	
Long-term deferred expenses	V.16	6,142,637.04	129,191.04	5,953,419.25	145,340.04
Deferred tax assets	V.17	27,026,418.99		28,379,559.09	
Other non-current assets					
Total non-current assets		477,028,060.55	1,058,391,248.26	533,014,858.19	1,061,795,922.04
Total assets:		2,002,896,080.72	1,077,427,417.63	1,985,108,875.38	1,062,920,232.68

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Statement of Financial Position (Con.)

As at 30 June 2011

Un-audited

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renminbi (CNY)

Items	Note	As at 30 June 2011		As at 31 Dec. 2010	
		Consolidation	The Company	Consolidation	The Company
Current liabilities:					
Short-term borrowings					
Held for trading financial liabilities					
Notes payable	V.19	58,643,699.65		77,161,578.38	
Accounts payable	V.20	781,897,208.20	59,982.39	836,505,277.66	274,567.76
Advances from customers	V.21	14,065,880.21	30,000.00	15,875,235.26	31,260.00
Employee benefits payable	V.22	39,793,895.52	142,480.10	37,912,505.82	208,568.85
Taxes payable	V.23	13,140,899.11	68,929,682.80	48,362,325.48	68,937,341.03
Interests payable					
Dividends payable					
Other payables	V.24	205,661,602.49	545,444,343.93	90,697,163.04	594,840,595.36
Non-current liabilities due within one year					
Other current liabilities					
Total current liabilities		1,113,203,185.18	614,606,489.22	1,106,514,085.64	664,292,333.00
Non-current liabilities:					
Long-term borrowings					
Debt instruments payable					
Long-term payables					
Designated payables					
Deferred tax liabilities					
Accrued liabilities					
Deferred tax liabilities	V.17	2,414,491.95		345,236.99	
Other non-current liabilities	V.25	39,746,220.40		39,746,220.40	
Total non-current liabilities		42,160,712.35	0.00	40,091,457.39	0.00
Total liabilities		1,155,363,897.53	614,606,489.22	1,146,605,543.03	664,292,333.00
Shareholders' equity:					
Share capital	V.26	1,112,350,077.00	1,112,350,077.00	1,112,350,077.00	1,112,350,077.00
Capital reserves	V.27	125,035,204.92	123,485,181.40	125,035,204.92	123,485,181.40
Less: Treasury stock					
Surplus reserves					
Undistributed profit	V.28	(753,425,385.37)	(773,014,329.99)	(775,973,855.22)	(837,207,358.72)
Foreign exchange differences		(4,831.45)		79.51	
Equity attributable to shareholders of the Company		483,955,065.10	462,820,928.41	461,411,506.21	398,627,899.68
Minority equity		363,577,118.09		377,091,826.14	
Total shareholders' equity		847,532,183.19	462,820,928.41	838,503,332.35	398,627,899.68
Total liabilities and shareholders' equity		2,002,896,080.72	1,077,427,417.63	1,985,108,875.38	1,062,920,232.68

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Income Statement from January 2011 to June 2011
Un-audited

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renmibi (CNY).

Items	Note	Accumulative amounts for the reporting period		Accumulative amounts for the same period of last year	
		Consolidation	The Company	Consolidation	The Company
I. Operating revenue	V.29	1,373,364,867.20	1,176,065.20	1,665,009,562.62	3,021,092.42
Less: Operating costs	V.29	1,195,113,403.66	959,931.54	1,465,029,876.42	2,920,911.71
Business tax and surcharges	V.30	8,067,474.39	65,289.66	2,099,385.90	150,544.66
Sales expenses	V.31	51,971,319.51		53,253,148.06	
General and administrative expenses	V.32	104,138,411.58	3,942,983.19	104,769,692.24	3,335,784.74
Financial costs	V.33	2,483,092.83	(184,015.61)	(6,429,476.48)	46,839.75
Impairment loss on assets	V.34	77,609.69	1,166.52	3,387,435.40	(672,007.38)
Add: Gain from changes in fair value (loss presented with "-" prefix)	V.35	13,795,033.05		(1,813,013.01)	
Investment income (loss presented with "-" prefix)	V.36	5,306,581.31	67,732,295.69	2,095,465.34	5,266,277.58
Including: Income from investments in associates and joint ventures					
II. Operating profit (loss presented with "-" prefix)		30,615,169.90	64,123,005.59	43,181,953.41	2,505,296.52
Add: Non-operating income	V.37	5,281,735.17	160,023.14	11,258,688.85	113,922.41
Less: Non-operating expenses	V.38	713,494.10	90,000.00	808,479.73	
Including: Loss on disposals of non-current assets		36,996.37		40,632.03	
III. Profit before taxation (loss presented with "-" prefix)		35,183,410.97	64,193,028.73	53,632,162.53	2,619,218.93
Less: Corporate income tax expenses	V.39	3,524,717.27		3,730,555.64	
IV. Net profit (loss presented with "-" prefix)		31,658,693.70	64,193,028.73	49,901,606.89	2,619,218.93
Attributable to shareholders of the Company		22,548,469.85	64,193,028.73	36,949,302.21	2,619,218.93
Attributable to minority shareholders		9,110,223.85		12,952,304.68	
V. Earnings per share					
Basic earnings per share		0.02		0.03	
Diluted earnings per share		0.02		0.03	
VI. Other comprehensive income	V.41	(4,910.96)		618,198.25	(33,022.08)
VII. Total comprehensive income		31,653,782.74	64,193,028.73	50,519,805.14	2,586,196.85
Attributable to shareholders of the Company		22,544,786.63	64,193,028.73	37,567,500.46	2,586,196.85
Attributable to minority shareholders		9,108,996.11	0.00	12,952,304.68	0.00

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

There is no net profit achieved by the consolidated party under company combination of the current period before the combination.

Cash Flow Statement from January 2011 to June 2011
Un-audited

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renmibi (CNY).

Items	Note	Accumulative amounts for the reporting period		Accumulative amounts for the same period of last year	
		Consolidation	The Company	Consolidation	The Company
I. Cash flows from operating activities:					
Cash receipts from sale of goods or rendering of services		1,340,362,580.91		1,509,023,842.54	
Tax refunds receipts		121,832,937.70	15,060.94	128,382,963.21	
Other cash receipts in relation to operating activities	V.42	35,612,135.20	19,050,645.52	69,336,995.55	21,114,353.05
Subtotal of cash inflows from operating activities		1,497,807,653.81	19,065,706.46	1,706,743,801.30	21,114,353.05
Cash paid for goods and services		1,334,166,997.08		1,299,998,498.43	
Cash paid to and on behalf of employees		134,280,688.43	17,318,260.05	186,206,736.77	16,602,775.16
Taxes and surcharges paid		11,437,017.15	777,047.22	11,520,166.16	1,520,817.79
Other cash payments in relation to operating activities	V.42	142,709,977.97	2,801,662.78	171,561,216.82	14,077,826.39
Subtotal of cash outflows from operating activities		1,622,594,680.63	20,896,970.05	1,669,286,618.18	32,201,419.34
Net cash flows from operating activities		(124,787,026.82)	(1,831,263.59)	37,457,183.12	(11,087,066.29)
II. Cash flows from investing activities					
Cash receipts from withdrawal of investments					
Cash receipts from investment income		5,306,581.31	67,732,295.69	7,925,803.21	15,767,517.18
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		3,991,626.41		11,399,847.75	
Net cash receipts from disposal of subsidiaries and other operating entities		202,824.06			
Other cash receipts in relation to investing activities					
Subtotal of cash inflows from investing activities		9,501,031.78	67,732,295.69	19,325,650.96	15,767,517.18
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		18,805,290.46	214,500.00	16,496,779.67	1,697,057.89
Cash paid for investments		292,120.68		222,000.00	
Net Cash paid for acquisition of subsidiaries and other operating entities					
Other cash payments in relation to investing activities					
Subtotal of cash outflows from investing activities		19,097,411.14	214,500.00	16,718,779.67	1,697,057.89
Net cash flows from investing activities		(9,596,379.36)	67,517,795.69	2,606,871.29	14,070,459.29
III. Cash flows from financing activities					
Cash proceeds from issuing shares or other equity instruments					
Including: cash proceeds received from acquiring minority investment from subsidiaries					
Cash proceeds from issuing borrowings					
Cash proceeds from issuing debt instruments					
Other cash proceeds in relation to financing activities		131,431,000.00	5,000,000.00		160,000,000.00
Subtotal of cash inflows from financing activities		131,431,000.00	5,000,000.00	0.00	160,000,000.00
Repayment of loans or debts				225,948,239.46	157,577,962.02
Cash payments for interests, dividends and profit distribution		22,549,593.07		2,613,904.66	
Other cash payments in relation to financing activities		22,549,593.07		2,613,904.66	
Including: dividend, profit paid to minorities by subsidiaries			55,500,000.00		
Subtotal of cash outflows from financing activities		22,549,593.07	55,500,000.00	228,562,144.12	157,577,962.02
Net cash flows from financing activities		108,881,406.93	(50,500,000.00)	(228,562,144.12)	2,422,037.98
IV. Impact of changes in foreign exchange rates on cash and cash equivalents		(4,044,762.69)	(421.00)	(380,905.81)	(33,537.42)
V. Net increase in cash and cash equivalents		(29,546,761.94)	15,186,111.10	(188,878,995.52)	5,371,893.56
Add: Opening cash and cash equivalents		627,477,733.10	904,966.64	540,739,906.30	494,441.23
VI. Closing cash and cash equivalents	V.43	597,930,971.16	16,091,077.74	351,860,910.78	5,866,334.79

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Consolidated Statement of Changes in Equity

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renmibi (CNY).

Items	Jan.-Jun. 2011									
	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	minus: Inventory shares	Special reserve	Surplus reserve	Normal risk provision	Undistributed profits	Exchange difference of foreign currency		
I. Balance at the end of the previous year	1,112,350,077.00	125,035,204.92					(775,973,855.22)	79.51	377,091,826.14	838,503,332.35
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	125,035,204.92					(775,973,855.22)	79.51	377,091,826.14	838,503,332.35
III. Changes in equity in the year	0.00	0.00	0.00	0.00	0.00	0.00	22,548,469.85	(4,910.96)	(13,514,708.05)	9,028,850.84
(I) Net profit for the year							22,548,469.85		9,110,223.85	31,658,693.70
(II) Other comprehensive gains								(4,910.96)		(4,910.96)
Sub-total of above (I) and (II)	0.00	0.00	0.00	0.00	0.00	0.00	22,548,469.85	(4,910.96)	9,110,223.85	31,653,782.74
(III) Capital investment by the shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(50,000.00)	(50,000.00)
1. Capital investment by shareholders in the year										
2. Amount calculated into equity paid in shares										
3. Others									(50,000.00)	(50,000.00)
(IV) Profit distribution in the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(22,574,931.90)	(22,574,931.90)
1. Appropriation of surplus reserve										
2. Appropriation of normal risk provision										
3. Distribution to shareholders									(22,574,931.90)	(22,574,931.90)
4. Others										
(V) Internal settlement and transfer of shareholders' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriated in current period										
2. Used in current period										
(VII) Other										
IV. Balance at the end of this period	1,112,350,077.00	125,035,204.92	0.00	0.00	0.00	0.00	(753,425,385.37)	(4,831.45)	363,577,118.09	847,532,183.19

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Consolidated Statement of Changes in Equity
As at 30 June 2011

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renmibi (CNY)

Items	As of the year 2010									
	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	minus: Inventory shares	Special reserve	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	125,213,990.83					(840,347,470.50)	(651,220.33)	357,114,141.46	753,679,518.46
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	125,213,990.83					(840,347,470.50)	(651,220.33)	357,114,141.46	753,679,518.46
III. Changes in equity in the year		(178,785.91)					64,373,615.28	651,299.84	19,977,684.68	84,823,813.89
(I) Net profit for the year							64,373,615.28		23,050,073.39	87,423,688.67
(II) Other comprehensive gains		(205,085.71)						651,299.84		446,214.13
Sub-total of above (I) and (II)		(205,085.71)					64,373,615.28	651,299.84	23,050,073.39	87,869,902.80
(III) Capital investment by the shareholders									(832,080.00)	(832,080.00)
1. Capital investment by shareholders in the year									(832,080.00)	(832,080.00)
2. Amount calculated into equity paid in shares										
3. Others										
(IV) Profit distribution in the year									(2,613,904.66)	(2,613,904.66)
1. Appropriation of surplus reserve										
2. Appropriation of normal risk provision										
3. Distribution to shareholders										
4. Others									(2,613,904.66)	(2,613,904.66)
(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. Appropriated in current period										
2. Used in current period										
(VII) Other		26,299.80							373,595.95	399,895.75
IV. Balance at the end of this period	1,112,350,077.00	125,035,204.92					(775,973,855.22)	79.51	377,091,826.14	838,503,332.35

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Statement of Changes in Equity of the Company
As at 30 June 2011

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renmibi (CNY).

Items	Amount for the reporting period							
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserve	General risk provision	Retained profit	Total shareholders' equity
I. Balance at the end of previous year	1,112,350,077.00	123,485,181.40					(837,207,358.72)	398,627,899.68
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	123,485,181.40	0.00	0.00	0.00	0.00	(837,207,358.72)	398,627,899.68
III. Changes in equity in the year	0.00	0.00	0.00	0.00	0.00	0.00	64,193,028.73	64,193,028.73
(I) Net profit for the year							64,193,028.73	64,193,028.73
(II) Other comprehensive gains								
Sub-total of above (I) and (II)	0.00	0.00	0.00	0.00	0.00	0.00	64,193,028.73	64,193,028.73
(III) Capital investment by the shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital investment by shareholders in the year								
2. Amount calculated into equity paid in shares								
3. Others								
(IV) Profit distribution in the year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriated in current period								
2. Used in current period								
(VII) Other								
IV. Balance at the end of this period	1,112,350,077.00	123,485,181.40	0.00	0.00	0.00	0.00	(773,014,329.99)	462,820,928.41

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Statement of Changes in Equity of the Company
As at 30 June 2011 (Con.)

Prepared by: Tsann Kuen (China) Enterprise Co., Ltd.

All amounts presented are in Renmibi (CNY).

Items	Amount for the year 2010							
	Share capital	Capital reserve	Less: treasurystock	Special reserves	Surplus reserve	General risk provision	Retained profit	Total shareholders' equity
I. Balance at the end of previous year	1,112,350,077.00	123,690,267.11					(838,470,954.17)	397,569,389.94
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	123,690,267.11					(838,470,954.17)	397,569,389.94
III. Changes in equity in the year		(205,085.71)					1,263,595.45	1,058,509.74
(I) Net profit for the year							1,263,595.45	1,263,595.45
(II) Other comprehensive gains		(205,085.71)						(205,085.71)
Sub-total of above (I) and (II)		(205,085.71)					1,263,595.45	1,058,509.74
(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) Special reserve								
1. Appropriated in current period								
2. Used in current period								
IV. Balance at the end of this period	1,112,350,077.00	123,485,181.40					(837,207,358.72)	398,627,899.68

Legal Representative: Jian Derong

Chief accountant: Chen Zongyi

Financial director: Chen Zongyi

(The accompanying notes form an integral part of these financial statements)

Note 5: Notes to elements of the consolidated financial statements

5.1 Monetary funds

5.1.1 Details of monetary funds

Items	Balance as at 30 June 2011			Balance as at 31 December 2010		
	Original amount	Foreign exchange rate	Translated amount	Original amount	Foreign exchange rate	Translated amount
Cash in hand						
Including: CNY	368,173.81	1.000	368,173.81	362,565.28	1.000	362,565.28
HKD	41,768.30	0.832	34,735.35	28,777.65	0.851	24,486.90
USD	40,367.75	6.472	261,243.93	75,862.95	6.623	502,417.56
JPY	803,190.80	0.080	64,450.44	1,291,163.40	0.081	104,919.94
IDR	18,389,100.00	0.001	12,851.91			
FRF	7.00	7.752	54.27	7.00	7.056	49.39
EUR	14,405.48	9.361	134,852.58	21,405.48	8.807	188,507.36
GBP	3.13	10.40	32.55	3.13	10.218	31.98
HUF	81,016.00	0.031	2,552.00	81,016.00	0.032	2,576.31
Subtotal			<u>878,946.84</u>			<u>1,185,554.72</u>
Demand deposits						
Including: CNY	317,232,996.29	1.000	317,232,996.29	485,800,029.16	1.000	485,800,029.16
HKD	282,458.53	0.832	234,898.16	2,038,792.96	0.851	1,734,808.93
USD	41,803,759.45	6.472	270,537,209.66	14,924,396.42	6.623	98,839,800.17
JPY	51,179,563.00	0.080	4,106,801.67	28,925,718.00	0.081	2,350,503.84
EUR	732.70	9.361	6,858.95	3,175.98	8.807	27,969.27
IDR	5,275,817,194.73	0.001	4,000,431.97			
Subtotal			<u>596,119,196.70</u>			<u>588,753,111.37</u>
Other monetary funds						
Including: CNY	932,827.62	1.000	932,827.62	51,006,441.74	1.000	51,006,441.74
Subtotal			<u>932,827.62</u>			<u>51,006,441.74</u>
Total			<u>597,930,971.16</u>			<u>640,945,107.83</u>

5.1.2 Other monetary funds including bank acceptances and the margin deposits of L/C.

5.2 Held for trading financial assets

5.2.1 Disclosure by classification

<u>Items</u>	<u>As at 30 June 2011</u>	<u>As at 31 December 2010</u>
Derivative financial assets	<u>16,096,613.00</u>	<u>2,301,579.95</u>
Total	<u>16,096,613.00</u>	<u>2,301,579.95</u>

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

5.3 Notes receivable

5.3.1 Disclosure by classification

<u>Items</u>	<u>2011.06.30</u>	<u>2010.12.31</u>
Bank acceptance	4,816,348.40	3,910,322.48
Trade acceptance	<u>0.00</u>	<u>394,580.62</u>
Total	<u>4,816,348.40</u>	<u>4,304,903.10</u>

5.3.2 As at 30 June 2011, the Company has no pledged notes receivable.

5.3.3 As at 30 June 2011, the Company has no discounted or pledged trade acceptance.

5.3.4 As at 30 June 2011, the Company has no notes receivable transferred to accounts receivable due to issuers' defaults and notes receivable transferred by endorsement remaining immature.

5.4 Interests receivable

5.4.1 Disclosure by classification

<u>Items</u>	<u>Carrying amount</u> <u>as at 31 December 2010</u>	<u>Increase during</u> <u>the current period</u>	<u>Decrease during</u> <u>the current period</u>	<u>Carrying amount</u> <u>as at 30 June 2011</u>
Interests of fixed deposit	<u>128,237.14</u>	<u>51,953.40</u>	<u>90,940.75</u>	<u>89,249.79</u>
Total	<u>128,237.14</u>	<u>51,953.40</u>	<u>90,940.75</u>	<u>89,249.79</u>

5.5 Accounts receivable

5.5.1 Disclosure by classification

<u>Items</u>	<u>Balance as at 30 June 2011</u>			
	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>	<u>% of total</u>
Accounts receivable belong to individual significance and individually assessed for impairment	0.00	0.00%	0.00	0.00%
Accounts receivable belong to recognition of impairment allowances by group:				
Age group	436,948,928.47	78.92%	9,081,866.73	2.08%
Related party group	116,722,264.95	21.08%	0.00	0.00%
Subtotal of groups:	<u>553,671,193.42</u>	<u>100.00%</u>	<u>9,081,866.73</u>	<u>1.64%</u>
Accounts receivable belong to individually insignificant but individually assessed for impairment	<u>0.00</u>	<u>0.00%</u>	<u>0.00</u>	<u>0.00%</u>
Total	<u>553,671,193.42</u>	<u>100.00%</u>	<u>9,081,866.73</u>	<u>1.64%</u>

(Continued)

<u>Items</u>	<u>Balance as at 31 December 2010</u>			
	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>	<u>% of total</u>
Accounts receivable belong to individual significance and individually assessed for impairment	0.00	0.00%	0.00	0.00%
Accounts receivable belong to recognition of impairment allowances by group:				
Age group	380,081,298.11	81.23%	9,153,564.59	2.41%
Related party group	87,815,084.76	18.77%	0.00	0.00%
Subtotal of groups:	<u>467,896,382.87</u>	<u>100.00%</u>	<u>9,153,564.59</u>	<u>1.96%</u>
Accounts receivable belong to individually insignificant but individually assessed for impairment	0.00	0.00%	0.00	0.00%
Total	<u>467,896,382.87</u>	<u>100.00%</u>	<u>9,153,564.59</u>	<u>1.96%</u>

5.5.2 Accounts receivable using the age analysis method for measurement of impairment allowances:

<u>Age</u>	<u>Balance as at 30 June 2011</u>			<u>Balance as at 31 December 2010</u>		
	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>
Within 1 year	430,358,630.74	98.49%	2,491,569.00	372,994,513.84	98.14%	2,066,780.32
Including:1-90 days	409,421,788.31	93.70%	0.00	354,126,985.71	93.18%	0.00
91-180 days	19,181,236.80	4.39%	1,918,123.68	18,057,005.14	4.75%	1,805,700.52
181-270 days	1,521,787.48	0.35%	456,536.24	720,908.47	0.19%	216,272.54
271-365 days	233,818.15	0.05%	116,909.08	89,614.52	0.02%	44,807.26
1-2 years	626,236.43	0.14%	626,236.43	927,868.91	0.24%	927,868.91
2-3 years	672,732.23	0.15%	672,732.23	2,098.19	0.00%	2,098.19
Over 3years	<u>5,291,329.07</u>	<u>1.22%</u>	<u>5,291,329.07</u>	<u>6,156,817.17</u>	<u>1.62%</u>	<u>6,156,817.17</u>
Total	<u>436,948,928.47</u>	<u>100.00%</u>	<u>9,081,866.73</u>	<u>380,081,298.11</u>	<u>100.00%</u>	<u>9,153,564.59</u>

5.5.3 Accounts receivable according to the related party group for measurement of impairment allowances:

<u>Related parties</u>	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Allowance percentage (%)</u>	<u>Reason(s) for allowance</u>
Tsann Kuen Japan Co., Ltd	96,307,299.61	0.00	0.00%	According to the accounting policy of impairment allowance
Thermaster Electronic (Xiamen) Ltd.	13,448.00	0.00	0.00%	According to the accounting policy of impairment allowance
STAR COMGISTIC CAPITAL CO., LTD	15,873,290.19	0.00	0.00%	According to the accounting policy of impairment allowance
STAR TRAVEL SERVICE CORP.	78,341.14	0.00	0.00%	According to the accounting policy of impairment allowance
PT. STAR COMGISTIC	<u>4,449,886.01</u>	<u>0.00</u>	<u>0.00%</u>	According to the accounting policy of impairment allowance
Total	<u>116,722,264.95</u>	<u>0.00</u>	<u>0.00%</u>	

5.5.4 As at 30 June 2011, the Company has no accounts receivable belong to individually insignificant but individually assessed for impairment.

5.5.5 As at 30 June 2011, the Company has no circumstances on non-reversal or non-recovery.

5.5.6 As at 30 June 2011, the Company has no accounts receivable written off.

5.5.7 Details of accounts receivable owed by entities which own 5% or more of the shares of the Company during the current reporting period:

<u>Shareholder</u>	<u>As at 30 June 2011</u>		<u>As at 31 December 2010</u>	
	<u>Carrying amount</u>	<u>Impairment allowance</u>	<u>Carrying amount</u>	<u>Impairment allowance</u>
STAR COMGISTIC CAPITAL CO., LTD	<u>15,873,290.19</u>	<u>0.00</u>	<u>10,577,697.22</u>	<u>0.00</u>
Total	<u>15,873,290.19</u>	<u>0.00</u>	<u>10,577,697.22</u>	<u>0.00</u>

5.5.8 Details of top five accounts receivable:

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 30/6/2011</u>	<u>Age</u>	<u>% of total accounts receivable</u>
Tsann Kuen Japan Co., Ltd.	Related party	96,307,299.61	Within 1 year	17.39%
Applica Consumer Products Inc.	Non-related party	87,399,456.11	Within 1 year	15.79%
SEBAsiaLtd.	Non-related party	34,537,712.84	Within 1 year	6.24%
Sensio Inc	Non-related party	26,283,560.20	Within 1 year	4.75%
Sunbeam Corporation Limited	Non-related party	<u>26,074,450.62</u>	Within 1 year	<u>4.71%</u>
Total		<u>270,602,479.38</u>		<u>48.88%</u>

5.5.9 Details of accounts receivable balance due from related parties:

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 30/6/2011</u>	<u>% of total accounts receivable</u>
Tsann Kuen Japan Co., Ltd	Same ultimate holding company	96,307,299.61	17.39%
Thermaster Electronic (Xiamen) Ltd.	The company directly controlled by the key management and closed family members	13,448.00	0.00%
STAR COMGISTIC CAPITAL CO., LTD	Ultimate holding company	15,873,290.19	2.87%
STAR TRAVEL SERVICE CORP.	Same ultimate holding company	78,341.14	0.01%
PT. STAR COMGISTIC	Same ultimate holding company	<u>4,449,886.01</u>	<u>0.80%</u>
Total		<u>116,722,264.95</u>	<u>21.08%</u>

5.6 Advances to suppliers

5.6.1 Disclosure by age:

<u>Age</u>	<u>Carrying amount as at 30 June 2011</u>		<u>Carrying amount as at 31 December 2010</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Within 1 year	6,218,330.42	91.74%	7,103,591.42	82.04%
1-2 years	<u>559,745.92</u>	<u>8.26%</u>	<u>1,555,375.10</u>	<u>17.96%</u>
Total	<u>6,778,076.34</u>	<u>100.00%</u>	<u>8,658,966.52</u>	<u>100.00%</u>

5.6.2 Details of top five advance to suppliers:

<u>Suppliers</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>
Sadoshima Corporation	Non-related party	616,287.64	Within 1 year	Supplier has not delivered goods
Xinhui Industrial Corporation	Non-related party	366,007.92	Within 1 year	Supplier has not delivered goods
ARS ELETTROMECCANICA S.R.L	Non-related party	324,020.35	Within 1 year	Supplier has not delivered goods
Ping An Property & Casualty Insurance Company Of China	Non-related party	281,548.74	Within 1 year	The implementation of the contract has not completed
Shanghai Jiading Power Supply Branch	Non-related party	<u>248,700.00</u>	Within 1 year	Electric power charges pay in advance
Total		<u>1,836,564.65</u>		

5.6.3 The Company has no advances to entities which own 5% or more of the shares of the Company.

5.7 Other receivables

5.7.1 Disclosure by classification

<u>Items</u>	<u>Balance as at 30 June 2011</u>			
	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>	<u>% of total</u>
Other receivables belong to individual significance and individually assessed for impairment	0.00	0.00%	0.00	0.00%
Other receivables belong to recognition of impairment allowances by group:				
Age group	19,640,712.51	100.00%	972,969.74	4.95%
Related party group	0.00	0.00%	0.00	0.00%
Subtotal of groups:	<u>19,640,712.51</u>	<u>100.00%</u>	<u>972,969.74</u>	<u>4.95%</u>
Other receivables belong to individually insignificant but individually assessed for impairment	<u>0.00</u>	<u>0.00%</u>	<u>0.00</u>	<u>0.00%</u>
Total	<u>19,640,712.51</u>	<u>100.00%</u>	<u>972,969.74</u>	<u>4.95%</u>

(Continued)

<u>Items</u>	<u>Balance as at 31 December 2010</u>			
	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>	<u>% of total</u>
Other receivables belong to individual significance and individually assessed for impairment	0.00	0.00%	0.00	0.00%
Other receivables belong to recognition of impairment allowances by group:				
Age group	62,092,094.02	100.00%	1,669,173.60	2.69%
Related party group	0.00	0.00%	0.00	0.00%
Subtotal of groups:	<u>62,092,094.02</u>	<u>100.00%</u>	<u>1,669,173.60</u>	<u>2.69%</u>
Other receivables belong to individually insignificant but individually assessed for impairment	<u>0.00</u>	<u>0.00%</u>	<u>0.00</u>	<u>0.00%</u>
Total	<u>62,092,094.02</u>	<u>100.00%</u>	<u>1,669,173.60</u>	<u>2.69%</u>

5.7.2 Other receivables using the age analysis method for measurement of impairment allowances:

<u>Items</u>	<u>Balance as at 30 June 2011</u>			<u>Balance as at 31 December 2010</u>		
	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>	<u>Amount</u>	<u>% of total</u>	<u>Impairment allowance</u>
Within 1 year	18,793,220.85	95.69%	125,478.08	60,768,652.13	97.87%	345,731.71
Including:						
1-90 days	18,027,529.52	91.79%	0.00	59,523,466.16	95.87%	0.00
91-180 days	539,545.37	2.75%	53,954.54	529,646.80	0.85%	52,964.68
181-270 days	207,747.23	1.06%	62,324.17	325,012.77	0.52%	97,503.83
271-365 days	18,398.73	0.09%	9,199.37	390,526.40	0.63%	195,263.20
1-2 years	594,414.66	3.03%	594,414.66	328,585.62	0.53%	328,585.62
2-3 years	4,000.00	0.02%	4,000.00	69,270.74	0.11%	69,270.74
Over 3 years	<u>249,077.00</u>	<u>1.26%</u>	<u>249,077.00</u>	<u>925,585.53</u>	<u>1.49%</u>	<u>925,585.53</u>
Total	<u>19,640,712.51</u>	<u>100.00%</u>	<u>972,969.74</u>	<u>62,092,094.02</u>	<u>100.00%</u>	<u>1,669,173.60</u>

5.7.3 As at 30 June 2011, the Company has no other receivables belong to individually insignificant but individually assessed for impairment.

5.7.4 Other receivables written off CNY 642,602.51 during the current reporting period, details set out below:

<u>Debtors</u>	<u>Amount written off during the current reporting period</u>	<u>Nature of other receivables</u>	<u>Reason(s) for the writing-off</u>	<u>Whether the writing-off resulted from transactions with related parties</u>
Employee borrowings	Employee borrowings	32,148.16	Cannot recovered	No
SALTON INC.	Payment for bad quality	467,571.95	Cannot recovered	No
TOASTMASTER INC	Payment for bad quality	25,310.22	Cannot recovered	No
ZOJIRUSHI CORPORATION	Payment for bad quality	6,577.60	Cannot recovered	No
TOSHIBA TEC CORP.	Payment for bad quality	<u>110,994.58</u>	Cannot recovered	No
Total		<u>642,602.51</u>		

5.7.5 The Company has no other receivables owed by entities which own 5% or more of the shares of the Company.

5.7.6 Details of top five other receivables:

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 30/6/2011</u>	<u>Age</u>	<u>% of total other receivables</u>
Fujian Province Longhai City Electric Power Supply Co., Ltd	Non-related party	1,448,704.32	0-30 days	7.38%
Secondary account of Provincial Financial Special Account	Non-related party	1,297,910.18	0-120 days	6.61%
Zhonghang Xingang Guarantee Co., Ltd.	Non-related party	1,080,000.00	0-360 days	5.50%
Xiamen Jindong Material Trading Co., Ltd.	Non-related party	958,840.54	0-90 days	4.88%
Zhangzhou Boer Metal Products Co., Ltd.	Non-related party	<u>828,553.02</u>	0-60 days	<u>4.22%</u>
Total		<u>5,614,008.06</u>		<u>28.59%</u>

5.8 Inventories

5.8.1 Disclosure by classification

<u>Items</u>	<u>As at 30 June 2011</u>			<u>As at 31 December 2010</u>		
	<u>Carrying amount</u>	<u>Impairment allowance</u>	<u>Net carrying amount</u>	<u>Carrying amount</u>	<u>Impairment allowance</u>	<u>Net carrying amount</u>
Raw material	187,956,390.09	9,111,759.62	178,844,630.47	152,246,727.73	9,111,759.62	143,134,968.11
Work in progress	70,351,636.06	0.00	70,351,636.06	15,398,841.08	0.00	15,398,841.08
self-manufactured semi-finished goods	30,524,271.60	2,215,173.10	28,309,098.50	36,412,428.23	2,215,173.10	34,197,255.13
Finished goods	58,850,761.88	1,557,791.33	57,292,970.55	83,934,772.60	1,557,791.33	82,376,981.27
Low-value consumables	1,419,421.36	0.00	1,419,421.36	1,242,488.28	0.00	1,242,488.28
Materials in transit	<u>681,935.08</u>	<u>0.00</u>	<u>681,935.08</u>	<u>238,950.08</u>	<u>0.00</u>	<u>238,950.08</u>
Total	<u>349,784,416.07</u>	<u>12,884,724.05</u>	<u>336,899,692.02</u>	<u>289,474,208.00</u>	<u>12,884,724.05</u>	<u>276,589,483.95</u>

5.8.2 Impairment allowance for inventories

<u>Items</u>	<u>Carrying amount as at 31 December 2010</u>	<u>Increase in current period</u>	<u>Recovered</u>	<u>Written off</u>	<u>Carrying amount as at 30 June 2011</u>	<u>Recovered value as % of total of inventories</u>
Raw material	9,111,759.62	0.00	0.00	0.00	9,111,759.62	0.00
self-manufactured semi-finished goods	2,215,173.10	0.00	0.00	0.00	2,215,173.10	0.00
Finished goods	<u>1,557,791.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,557,791.33</u>	<u>0.00</u>
Total	<u>12,884,724.05</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>12,884,724.05</u>	<u>0.00</u>

5.9 Long-term receivables

5.9.1 Circumstance of long-term receivables

<u>Item</u>	<u>30 Jun. 2011</u>			<u>31 Dec. 2010</u>		
	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Net carrying amount</u>	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Net carrying amount</u>
Installment receivables of transferred assets	62,671,361.58	13,365.50	62,657,996.08	74,892,982.80	7,721.47	74,885,261.33
Less: unrealized financing gains	<u>2,410,838.44</u>	<u>0.00</u>	<u>2,410,838.44</u>	<u>3,698,513.59</u>	<u>0.00</u>	<u>3,698,513.59</u>
Total	<u>60,260,523.14</u>	<u>13,365.50</u>	<u>60,247,157.64</u>	<u>71,194,469.21</u>	<u>7,721.47</u>	<u>71,186,747.74</u>

5.9.2 The amount of installment receivables of transferred assets including CNY 39,746,220.40 for the TKL transferred operating assets and business opportunities to Shanghai Sigma Metals Inc., please refer Note 10.3 for details.

5.10 Long-term equity investments

5.10.1 Circumstance of long-term equity investments

<u>Investee</u>	<u>Carrying amount as at period-begin</u>	<u>Increase/ decrease during the current reporting period</u>	<u>Carrying amount as at period-end</u>	<u>Impairment allowance</u>	<u>Impairment allowance withdrawn during the current reporting period</u>
Long-term equity investments measured using the historical cost convention:					
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>

(Continued)

<u>Investee</u>	<u>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>	<u>Cash dividend for current reporting period</u>
Long-term equity investments measured using the historical cost convention:					
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>

5.11 Investment property

5.11.1 Investment property measured using the historical cost convention

<u>Items</u>	<u>Carrying amount as at 31 Dec. 2010</u>		<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Carrying amount as at 30 Jun. 2011</u>
1、Cost:	<u>66,316,293.90</u>		<u>0.00</u>	<u>0.00</u>	<u>66,316,293.90</u>
Houses and buildings	66,316,293.90		0.00	0.00	66,316,293.90
Land use rights	0.00		0.00	0.00	0.00
		<u>Newly increased</u>	<u>Withdrawal for current year</u>		
2. Cumulative depreciation and amortization:	<u>36,972,063.12</u>	<u>0.00</u>	<u>2,496,531.18</u>	<u>914,545.29</u>	<u>38,554,049.01</u>
Houses and buildings	36,972,063.12	0.00	2,496,531.18	914,545.29	38,554,049.01
Land use rights	0.00	0.00	0.00	0.00	0.00
3. Carrying amount before impairment allowance	<u>29,344,230.78</u>				<u>27,762,244.89</u>
Houses and buildings	29,344,230.78				27,762,244.89
Land use rights	0.00				0.00
4. Cumulative impairment allowance	<u>0.00</u>		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Houses and buildings	0.00		0.00	0.00	0.00
Land use rights	0.00		0.00	0.00	0.00
5. Net carrying amount	<u>29,344,230.78</u>				<u>27,762,244.89</u>
Houses and buildings	29,344,230.78				27,762,244.89
Land use rights	0.00				0.00

5.11.2 The depreciation and amortization of investment property withdrawn during the current reporting period amount to CNY2,496,531.18.

5.12 Fixed assets

5.12.1 Circumstance of fixed assets

<u>Items</u>	<u>Carrying amount as at 31 Dec. 2010</u>		<u>Withdrawal for current year</u>	<u>Decreased for current period</u>	<u>Carrying amount as at 30 Jun. 2011</u>
1. Cost	<u>2,255,917,726.98</u>		<u>13,717,635.49</u>	<u>56,597,607.76</u>	<u>2,213,037,754.71</u>
Houses and buildings	137,907,258.96		1,072.50	0.00	137,908,331.46
Machineries	351,142,349.67		1,033,530.89	797,444.55	351,378,436.01
Electronic device、modules and others	1,670,303,456.15		12,683,032.10	55,695,949.57	1,627,290,538.68
Vehicles	35,142,533.50		0.00	104,213.64	35,038,319.86
Improvement expense of leased fixed assets	61,422,128.70		0.00	0.00	61,422,128.70
		<u>Newly increased</u>	<u>Withdrawal for current year</u>		

2. Cumulative depreciation	<u>1,821,546,379.13</u>	<u>918,297.15</u>	<u>49,629,864.67</u>	<u>49,838,054.99</u>	<u>1,822,256,485.96</u>
Houses and buildings	72,155,779.79	918,297.15	2,027,523.47	0.00	75,101,600.41
Machineries	160,485,645.44	0.00	11,503,969.84	638,998.19	171,350,617.09
Electronic device、 modules and others	1,530,466,655.40	0.00	32,871,285.74	49,121,414.58	1,514,216,526.56
Vehicles	30,808,372.55	0.00	280,147.46	77,642.22	31,010,877.79
Improvement expense of leased fixed assets	27,629,925.95	0.00	2,946,938.16	0.00	30,576,864.11
3. Carrying amount before impairment allowance	<u>434,371,347.85</u>				<u>390,781,268.76</u>
Houses and buildings	65,751,479.17				62,806,731.05
Machineries	190,656,704.23				180,027,818.93
Electronic device、 modules and others	139,836,800.75				113,074,012.12
Vehicles	4,334,160.95				4,027,442.07
Improvement expense of leased fixed assets	33,792,202.75				30,845,264.59
4. Cumulative impairment allowance	<u>66,621,346.52</u>		<u>0.00</u>	<u>4,671,885.25</u>	<u>61,949,461.27</u>
Houses and buildings	0.00			0.00	0.00
Machineries	26,011,180.18			15,502.32	25,995,677.86
Electronic device、 modules and others	39,201,359.80			4,656,339.80	34,545,020.00
Vehicles	94,706.48			43.13	94,663.35
Improvement expense of leased fixed assets	1,314,100.06			0.00	1,314,100.06
5. Net carrying amount	<u>367,750,001.33</u>				<u>328,831,807.49</u>
Houses and buildings	65,751,479.17				62,806,731.05
Machineries	164,645,524.05				154,032,141.07
Electronic device、 modules and others	100,635,440.95				78,528,992.12
Vehicles	4,239,454.47				3,932,778.72
Improvement expense of leased fixed assets	<u>32,478,102.69</u>				29,531,164.53

5.12.2 Cost of fixed assets transferred from construction in progress during current reporting period amounts to CNY 2,691,384.88.

5.12.3 The withdrawal of depreciation during current reporting period amounts to CNY 49,629,864.67.

5.12.4 Details of temporary idle assets for current period:

<u>Items</u>	<u>Cost</u>	<u>Cumulative depreciation</u>	<u>Cumulative impairment allowance</u>	<u>Net carrying amount</u>	<u>Estimated start use date</u>
Machineries	55,587,378.66	21,049,352.01	22,320,367.85	12,217,658.80	November 2011
Electronic device、 modules and others	6,289,371.40	2,819,713.59	3,255,889.30	213,768.51	November 2011
Vehicles	68,800.00	56,760.00	0.00	12,040.00	November 2011
Improvement expense of leased fixed assets	<u>278,000.00</u>	<u>107,869.20</u>	<u>59,128.92</u>	<u>111,001.88</u>	November 2011
Total	<u>62,223,550.06</u>	<u>24,033,694.80</u>	<u>25,635,386.07</u>	<u>12,554,469.19</u>	

5.12.5 The Company has no fixed assets held for sale during current reporting period.

5.12.6 The Company has no fixed assets acquired under financial leases during current reporting period.

5.12.7 Details of fixed assets let under operating leases during current reporting period:

<u>Items</u>	<u>Cost</u>	<u>Cumulative depreciation</u>	<u>Cumulative impairment allowance</u>	<u>Net carrying amount</u>
Machineries	8,719,638.97	3,839,566.73	0.00	4,880,072.24
Electronic device、 modules and others	4,941,734.04	4,678,655.84	99,780.43	163,297.77
Vehicles	46,500.00	46,500.00	0.00	0.00
Improvement expense of leased fixed assets	<u>22,865.00</u>	<u>11,051.32</u>	<u>0.00</u>	<u>11,813.68</u>
Total	<u>13,730,738.01</u>	<u>8,575,773.89</u>	<u>99,780.43</u>	<u>5,055,183.69</u>

5.12.8 Fixed assets with pending ownership registration during current reporting period

<u>Item</u>	<u>Cost</u>	<u>Cumulative depreciation</u>	<u>Cumulative impairment allowance</u>	<u>Net carrying amount</u>	<u>Reasons</u>
Jingying garden	806,391.00	163,082.46	0.00	643,308.54	In progress

5.12.9 The Company has no pledged and warranted fixed assets during current reporting period.

5.13 Construction in progress

5.13.1 Details of construction in progress

<u>Item</u>	<u>As at 30 Jun. 2011</u>			<u>As at 31 Dec. 2010</u>		
	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Net carrying amount</u>	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Net carrying amount</u>
Installation equipment	525,460.82	0.00	525,460.82	0.00	0.00	0.00
Modules work in progress	1,399,005.56	0.00	1,399,005.56	2,602,516.56	0.00	2,602,516.56
Decoration project	<u>282,250.00</u>	<u>0.00</u>	<u>282,250.00</u>	<u>240,000.00</u>	<u>0.00</u>	<u>240,000.00</u>
Total	<u>2,206,716.38</u>	<u>0.00</u>	<u>2,206,716.38</u>	<u>2,842,516.56</u>	<u>0.00</u>	<u>2,842,516.56</u>

5.13.2 Changes on construction in progress

<u>Items</u>	<u>Budgeted cost</u>	<u>Carrying amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Transferred to fixed assets during current reporting period</u>	<u>Other decrease during current reporting period</u>	<u>Carrying amount as at 30 Jun. 2011</u>	<u>Source of fund</u>	<u>Proportion of input to budgeted cost</u>
Installation equipment	1,254,904.53	0.00	418,301.51	137,826.22	26,237.09	254,238.20	Self-owned	33.33%
Modules work in progress	11,733,340.53	2,602,516.56	1,641,850.28	2,553,558.66	20,580.00	1,670,228.18	Self-owned	13.99%
Decoration project	<u>877,500.00</u>	<u>240,000.00</u>	<u>292,500.00</u>	<u>0.00</u>	<u>250,250.00</u>	<u>282,250.00</u>	Self-owned	33.33%
Total	<u>13,865,745.06</u>	<u>2,842,516.56</u>	<u>2,352,651.79</u>	<u>2,691,384.88</u>	<u>297,067.09</u>	<u>2,206,716.38</u>		

5.14 Intangible assets and cumulative amortization

5.14.1 Circumstance of intangible assets:

<u>Items</u>	<u>Carrying amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Decrease during current reporting period</u>	<u>Carrying amount as at 30 Jun. 2011</u>
1. Cost	<u>45,912,402.19</u>	<u>239,059.84</u>	<u>0.00</u>	<u>46,151,462.03</u>
Land use rights	29,560,727.51	0.00	0.00	29,560,727.51
Software	16,351,674.68	239,059.84	0.00	<u>16,590,734.52</u>

2. Cumulative amortization	<u>20,890,997.84</u>	<u>1,486,365.16</u>	<u>0.00</u>	<u>22,377,363.00</u>
Land use rights	9,476,482.78	323,436.54	0.00	9,799,919.32
Software	11,414,515.06	1,162,928.62	0.00	12,577,443.68
3. Carrying amount before impairment allowance	<u>25,021,404.35</u>			<u>23,774,099.03</u>
Land use rights	20,084,244.73			19,760,808.19
Software	4,937,159.62			4,013,290.84
4. Cumulative impairment allowance	<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
5. Net carrying amount	<u>25,021,404.35</u>			<u>23,774,099.03</u>
Land use rights	20,084,244.73			19,760,808.19
Software	4,937,159.62			4,013,290.84

5.14.2 Within the increase of amortization of intangible assets during current reporting period, CMY1,486,365.16 is the amortization withdrawn for the current reporting period.

5.14.3 CNY 48,040,176.62 is research and development expenditure incurred during current reporting period, which has been recognized in current profits and losses.

5.15 Goodwill

<u>Investee</u>	<u>Carrying amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Decrease during current reporting period</u>	<u>Carrying amount as at 30 Jun. 2011</u>	<u>Impairment allowance</u>
TSST	71,870.08	0.00	0.00	71,870.08	0.00
TSD	800,109.01	0.00	0.00	800,109.01	0.00
TSXT	125,000.00	0.00	0.00	125,000.00	0.00
TSSZ	<u>1,500,000.00</u>	<u>0.00</u>	<u>1,500,000.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>2,496,979.09</u>	<u>0.00</u>	<u>1,500,000.00</u>	<u>996,979.09</u>	<u>0.00</u>

5.16 Long-term deferred expenses

5.16.1 Details of long-term deferred expense

<u>Items</u>	<u>Carrying amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Decrease during current reporting period</u>	<u>Carrying amount as at 30 Jun. 2011</u>
Telecommunications engineering	145,000.01	258,499.97	203,166.66	200,333.32
SUN computer service fees	141,666.76	0.00	50,000.04	91,666.72
Internet charges	165,984.00	0.00	52,416.00	113,568.00
Houses and buildings renovation expenses	5,268,167.35	963,000.00	676,761.33	5,554,406.02
Landscape engineering	145,340.04	0.00	16,149.00	129,191.04
Others	<u>87,261.09</u>	<u>16,150.02</u>	<u>49,939.17</u>	<u>53,471.94</u>
Total	<u>5,953,419.25</u>	<u>1,237,649.99</u>	<u>1,048,432.20</u>	<u>6,142,637.04</u>

5.17 Deferred tax assets and deferred tax liabilities

5.17.1 Recognized deferred tax assets and deferred tax liabilities:

<u>Items</u>	<u>As at 30 Jun. 2011</u>	<u>As at 31 Dec. 2010</u>
Deferred tax assets:		
Assets impairment allowance	10,944,865.46	11,791,791.49
Accrued expenses	630,930.45	834,257.00
Deductible losses	15,450,623.08	15,633,491.63
Unrealized profits from intragroup transactions	<u>0.00</u>	<u>120,018.97</u>
Total	<u>27,026,418.99</u>	<u>28,379,559.09</u>
Deferred tax liabilities:		
Transactional financial assets	<u>2,414,491.95</u>	<u>345,236.99</u>
Total	<u>2,414,491.95</u>	<u>345,236.99</u>

5.18 Impairment allowance for assets

<u>Items</u>	<u>Carrying amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Decrease during current reporting period</u>		<u>Carrying amount as at 30 Jun. 2011</u>
			<u>Reversal</u>	<u>Written off</u>	
Impairment allowance for receivables	10,830,459.66	585,199.52	704,854.70	642,602.51	10,068,201.97
Impairment allowance for inventories	12,884,724.05	0.00	0.00	0.00	12,884,724.05
Impairment allowance for fixed assets	<u>66,621,346.52</u>	<u>0.00</u>	<u>0.00</u>	<u>4,671,885.25</u>	<u>61,949,461.27</u>
Total	<u>90,336,530.23</u>	<u>585,199.52</u>	<u>704,854.70</u>	<u>5,314,487.76</u>	<u>84,902,387.29</u>

5.19 Notes payable

5.19.1 Disclosure by classification

<u>Items</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Bank acceptance	0.00	71,962,430.01
Trade acceptance	<u>58,643,699.65</u>	<u>5,199,148.37</u>
Total	<u>58,643,699.65</u>	<u>77,161,578.38</u>

5.19.2 Notes payable expected to mature during the next reporting period amount to CNY58,643,699.65.

The maturity date is Jul.-Nov. 2011.

5.19.3 The Company has no notes payable owed to entities which own 5% or more of the shares of the Company.

5.20 Accounts payable

5.20.1 Age analysis:

<u>Age</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Within 1 year	779,342,973.30	834,687,604.32
Over 1 year	<u>2,554,234.90</u>	<u>1,817,673.34</u>
Total	<u>781,897,208.20</u>	<u>836,505,277.66</u>

5.20.2 The details of significant accounts payable remaining unsettled for more than one year during current reporting period:

<u>Creditors</u>	<u>Amount as at 31 Dec. 2010</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>	<u>Post balance sheet date repayment</u>
Xiamen Zhicheng electrotechnics materials Co., Ltd.	352,174.25	2-3 years	Temporary unsettlement	0.00
Ningbo Chaochao Electrical Appliance Co., Ltd.	<u>498,500.46</u>	1-2 years	Temporary unsettlement	<u>0.00</u>
Total	<u>850,674.71</u>			<u>0.00</u>

5.20.3 Details of accounts payable owed to entities which own 5% or more of the shares of the Company during the current reporting period

<u>Shareholder</u>	<u>Content of balance</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
STAR COMGISTIC CAPITAL CO., LTD	Purchase of materials	<u>6,350,975.59</u>	<u>2,621,183.79</u>
Total		<u>6,350,975.59</u>	<u>2,621,183.79</u>

5.20.4 Details of accounts payable due to related parties:

<u>Creditors</u>	<u>Content of balance</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Thermaster Electronic (Xiamen) Ltd.	Material purchased	15,552,582.19	5,291,500.93
STAR COMGISTIC CAPITAL CO., LTD	Material purchased	6,350,975.59	2,621,183.79
STAR TRAVEL SERVICE CORP.	Services accepted	<u>338,373.21</u>	<u>832,348.34</u>
Total		<u>22,241,930.99</u>	<u>8,745,033.06</u>

5.21 Advances from customers

5.21.1 Age analysis:

<u>Age</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Within 1 year	12,460,335.78	14,052,686.12
Over 1 year	<u>1,605,544.43</u>	<u>1,822,549.14</u>
Total	<u>14,065,880.21</u>	<u>15,875,235.26</u>

5.21.2 The Company has no advances from entities which own 5% or more voting rights of the Company.

5.22 Employee benefits payable

5.22.1 Details of employee benefits payable

<u>Items</u>	<u>Amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Payment during current reporting period</u>	<u>Amount as at 30 Jun. 2011</u>
Wages, salaries and subsidies	29,763,873.87	119,702,372.68	118,287,380.27	31,178,866.28
Employee welfare	0.00	2,812,825.61	2,812,825.61	0.00
Social insurance:	208,562.31	9,834,247.14	9,815,380.15	227,429.30
Including: Medical insurance	31,816.91	2,875,610.92	2,866,230.22	41,197.61
Basic pension	161,668.99	4,891,269.32	4,884,639.30	168,299.01
Life annuity	0.00	0.00	0.00	0.00
Redundancy insurance	9,086.84	592,141.12	589,326.58	11,901.38
Employment injury insurance	4,624.94	901,898.20	902,428.08	4,095.06
Maternity insurance	1,364.63	573,327.58	572,755.97	1,936.24
Housing provident fund	7,936,079.64	3,281,810.04	2,838,909.74	8,378,979.94
Labour union fee and employee education fee	0.00	109,186.40	109,186.40	0.00
Non-monetary welfare	0.00	0.00	0.00	0.00
Redundancy compensation	3,990.00	1,213,805.04	1,213,805.04	3,990.00
9. Others	<u>0.00</u>	<u>42,055.50</u>	<u>37,425.50</u>	<u>4,630.00</u>
Total	<u>37,912,505.82</u>	<u>136,996,302.41</u>	<u>135,114,912.71</u>	<u>39,793,895.52</u>

5.22.2 No amount of employee benefits payable belongs to default during current reporting period.

5.23 Taxes payable

<u>Items</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Business tax	433,167.49	726,979.99
Corporate income tax	(172,114.23)	186,649.15
Value added tax	(1,785,227.72)	25,599,931.09
Personal income tax	632,000.87	355,256.02
Education surcharge	912,161.71	87,235.01
Urban maintenance and construction surcharge	1,106,984.82	62,962.53
Others	<u>12,013,926.17</u>	<u>21,343,311.69</u>
Total	<u>13,140,899.11</u>	<u>48,362,325.48</u>

5.24 Other payables

5.24.1 Age analysis:

<u>Age</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Within 1 year	197,918,959.70	84,470,030.06
Over 1 year	<u>7,742,642.79</u>	<u>6,227,132.98</u>
Total	<u>205,661,602.49</u>	<u>90,697,163.04</u>

5.24.2 Details of significant other payables remaining unsettled for more than one year during current reporting period

<u>Creditors</u>	<u>Amount unsettled</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>	<u>Post balance sheet date repayment</u>
Xiamen Jinyuan Steel Industry Co., Ltd.	331,000.00	1-2 years	guarantee deposit	0.00
Xiamen Hexing Packaging Printing Co., Ltd.	600,000.00	1-2 years	guarantee deposit	0.00
Fujian Province Zhangzhou SIGMA Metal, INC	600,000.00	1-4 years	guarantee deposit	0.00
Zhangzhou Dakun Electrical Appliance Co., Ltd.	748,720.00	1-2 years	guarantee deposit	0.00
Zhangzhou Huadaxin Metal Co., Ltd.	<u>800,000.00</u>	1-3 years	guarantee deposit	<u>0.00</u>
Total	<u>3,079,720.00</u>			<u>0.00</u>

5.24.3 Details of other payables to entities which own 5% or more voting rights of the Company during current reporting period:

<u>Shareholders</u>	<u>Content of balance</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Fullman Investments Ltd.	Capital absorbed and loan	64,716,000.00	0.00
Sinoglobal Development Limited	Capital absorbed and loan	64,716,000.00	0.00
Star Comgistic Capital Co., Ltd.	Technology compensation and commission fee ,etc.	<u>4,363,584.64</u>	<u>4,689,060.68</u>
Total		<u>133,795,584.64</u>	<u>4,689,060.68</u>

5.24.4 Details of other payables due to related parties:

<u>Creditors</u>	<u>Content of balance</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Tsann Kuen USA, Inc.	Sales commission	36,033.87	138,557.28
Tsann Kuen Japan Co., Ltd.	Materials purchase and sales commission	2,612,489.97	2,213,246.77
Thermaster Electronic (Xiamen) Ltd.	Materials purchase		79,475.91
Star Comgistic Capital Co., Ltd.	Technology compensation and commission fee ,etc	4,363,584.64	4,689,060.68
Star Travel Service Corp.	Charges for rendering of service	5,132.17	162,302.37
Sinoglobal Development Limited	Capital absorbed and loan	64,716,000.00	0.00
Fullman Investments Ltd.	Capital absorbed and loan	<u>64,716,000.00</u>	<u>0.00</u>
Total		<u>136,449,240.65</u>	<u>7,282,643.01</u>

5.25 Other non-current liabilities

<u>Item</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Unrealized profits of installment receivables of transferred assets	<u>39,746,220.40</u>	<u>39,746,220.40</u>
Total	<u>39,746,220.40</u>	<u>39,746,220.40</u>

The amount of other non-current liabilities including CNY 39,746,220.40 for the unrealized profits from TKL transferred assets and business opportunities to Shanghai Sigma Metals Inc., please refer Note 10.3 for details.

5.26 Share capital

<u>Items</u>	<u>Amount as at 31 Dec. 2010</u>	<u>Increase/decrease during the reporting period (+, -)</u>					<u>Subtotal</u>	<u>Amount as at 30 Jun. 2011</u>	Unit: shares
		<u>Share issue</u>	<u>Bonus issue</u>	<u>Conversion from public reserves</u>	<u>Others</u>				
1. Unlisted shares									
(1) Founders' shares	0.00	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	0.00	
State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Shares held by domestic									
Legal person	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Shares held by foreign									
legal person	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(2) Shares placed by legal persons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(3) Staff shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(4) Preferred shares or others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Including: Transferrable shares	0.00	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>	<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	0.00	1,112,350,077.00	
Including: Executives shares	0.00	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>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>	<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>0.00</u>	<u>1,112,350,077.00</u>	

The aforesaid shares are listed with par value CNY 1.00 per share. No changes of the total amount of share capital during current reporting period.

5.27 Capital reserves

<u>Item</u>	<u>Amount as at 31 Dec. 2010</u>	<u>Increase during current reporting period</u>	<u>Decrease during current reporting period</u>	<u>Amount as at 30 Jun. 2011</u>
Share premium	62,045,659.80	0.00	0.00	62,045,659.80
Other capital reserves	<u>62,989,545.12</u>	<u>0.00</u>	<u>0.00</u>	<u>62,989,545.12</u>
Total	<u>125,035,204.92</u>	<u>0.00</u>	<u>0.00</u>	<u>125,035,204.92</u>

5.28 Undistributed profit

<u>Items</u>	<u>Amount as at 30 Jun. 2011</u>	<u>Amount as at 31 Dec. 2010</u>
Undistributed profits as at 31 Dec. 2010	-775,973,855.22	-840,347,470.50
Add: profits reversed at current period	22,548,469.85	64,373,615.28
Other reversals	0.00	0.00
Less: transferred to statutory surplus reserves	0.00	0.00
Transferred to employees' rewards and welfare fund	0.00	0.00
Transferred to reserve fund	0.00	0.00
Transferred to enterprise development fund	0.00	0.00
Profits returned to investors	0.00	0.00
Less: dividends of preferred shares payable	0.00	0.00
Transferred to discretionary surplus reserve	0.00	0.00
Dividends payable	0.00	0.00
Dividends converted to share capital	<u>0.00</u>	<u>0.00</u>
Balance as at 30 Jun. 2011	<u>-753,425,385.37</u>	<u>-775,973,855.22</u>

5.29 Operating revenues and costs

5.29.1 Operating revenues

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Revenues from principal operating activities	1,336,822,391.83	1,640,736,024.33
Revenues from other operating activities	<u>36,542,475.37</u>	<u>24,273,538.29</u>
Total operating revenues	<u>1,373,364,867.20</u>	<u>1,665,009,562.62</u>
Operating costs for principal operating activities	1,171,445,880.72	1,451,556,378.11
Operating costs for other operating activities	<u>23,667,522.94</u>	<u>13,473,498.31</u>
Total operating costs	<u>1,195,113,403.66</u>	<u>1,465,029,876.42</u>

5.29.2 Revenues from principal operating activities by products

<u>Product</u>	<u>Cumulative amount in current reporting period</u>		<u>Cumulative amount in last reporting period</u>	
	<u>Operating revenues</u>	<u>Operating costs</u>	<u>Operating revenues</u>	<u>Operating costs</u>
Catering and Cooking	652,555,822.78	564,629,989.77	733,621,629.61	628,919,045.80
Home helper	447,538,289.55	407,734,087.66	602,922,074.30	548,911,669.01
Tea/Coffee	120,443,287.31	108,365,954.94	184,923,651.52	173,208,475.37
LED Green Products	62,933,210.31	51,381,235.88	16,655,531.22	8,117,822.87
Others	42,500,072.91	29,620,575.38	86,764,181.79	78,099,911.84
Tour	<u>10,851,708.97</u>	<u>9,714,037.09</u>	<u>15,848,955.89</u>	<u>14,299,453.22</u>
Total	<u>1,336,822,391.83</u>	<u>1,171,445,880.72</u>	<u>1,640,736,024.33</u>	<u>1,451,556,378.11</u>

5.29.3 Principal operating activities by areas

<u>Area</u>	<u>Cumulative amount in current reporting period</u>		<u>Cumulative amount in last reporting period</u>	
	<u>Operating revenues</u>	<u>Operating costs</u>	<u>Operating revenues</u>	<u>Operating costs</u>
Australia	81,836,703.77	73,613,133.93	57,553,202.94	55,335,063.96
Africa	15,191,129.12	12,323,012.12	12,093,776.94	10,176,889.37
America	556,059,490.11	497,068,849.97	808,041,287.24	702,236,367.26
Europe	256,340,291.76	230,094,635.07	270,284,242.76	237,308,834.54
Asia	<u>427,394,777.07</u>	<u>358,346,249.63</u>	<u>492,763,514.45</u>	<u>446,499,222.99</u>
Total	<u>1,336,822,391.83</u>	<u>1,171,445,880.72</u>	<u>1,640,736,024.33</u>	<u>1,451,556,378.11</u>

5.29.4 Details of operating revenues from top five clients:

<u>Clients</u>	<u>Operating revenues</u>	<u>Cumulative amount in current reporting period</u> <u>Proportion of total operating revenue</u>
Applica Consumer Products Inc.	197,450,445.03	14.38%
Tsann Kuen Japan Co., Ltd.	135,833,993.47	9.89%
ZOJIRUSHI CORPORATION	112,284,763.02	8.18%
SEB GROUPE ASIA.LTD	73,332,396.30	5.34%
Sensio Inc.	<u>66,765,547.45</u>	<u>4.86%</u>
Total	<u>585,667,145.27</u>	<u>42.64%</u>

5.30 Business tax and surcharges

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>	<u>Tax rate</u>
Business tax	1,450,766.74	1,338,953.18	5%
Education surcharge	2,982,668.96	754,408.52	1%、3%
Urban maintenance and construction surcharge	3,633,212.84	6,024.20	1%、5%、7%
Others	<u>825.85</u>	<u>0.00</u>	
Total	<u>8,067,474.39</u>	<u>2,099,385.90</u>	

5.31 Sales expenses

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Export charges	19,133,776.40	20,775,306.15
Employee remunerations	11,834,602.74	11,014,265.33
Claims	8,265,462.04	1,903,487.66
Sales commission and after sales service fees	4,045,663.11	8,752,802.18
Assets lease expenses	2,117,202.62	2,052,018.30
Travel expenses	1,382,055.27	2,554,434.48
Advertisements charges and sales promotion	2,473,112.37	3,817,805.49
Administrative expenses	499,845.94	743,472.74
Transportation charges	377,411.73	492,953.36
Business entertainment	185,391.30	277,113.88
Maintenance expenses	284,239.29	28,226.44
Depreciation of assets	356,338.16	103,179.68
Water and electricity charges	160,581.53	130,621.02
Other expenses	<u>855,637.01</u>	<u>607,461.35</u>
Total	<u>51,971,319.51</u>	<u>53,253,148.06</u>

5.32 General and administrative expenses

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
R&D expenses	48,040,176.62	48,581,873.77
Employee remunerations	20,717,376.16	20,218,602.85
Depreciation and amortization of assets	9,374,734.99	10,755,389.34
Rental expenses	10,858,476.30	6,603,469.31
Insurance expenses	2,173,778.21	4,018,161.09
Administrative expenses	2,460,417.82	2,958,683.69
Travel expenses	1,613,274.61	2,303,017.51
Consultant fees	2,893,811.73	2,905,214.69
Maintenance expenses	1,495,757.63	1,835,314.99
Taxes and surcharges	1,425,185.51	1,481,408.14
Business entertainment	732,040.31	877,008.66
Board fees	462,273.29	469,472.08
Water and electricity charges	857,044.96	436,900.65
Other expenses	<u>1,034,063.44</u>	<u>1,325,175.47</u>
Total	<u>104,138,411.58</u>	<u>104,769,692.24</u>

5.33 Financial costs

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Interest expenses	855,253.60	187,025.96
Less: Interest income	7,550,716.49	2,293,850.09
Less: Realized financing gains	1,287,675.15	2,088,014.36
Exchange gain or loss	9,087,315.51	(4,307,430.82)
Bank charges	<u>1,378,915.36</u>	<u>2,072,792.83</u>
Total	<u>2,483,092.83</u>	<u>(6,429,476.48)</u>

5.34 Impairment loss on assets

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Impairment loss on bad debts	77,609.69	(177,343.64)
Impairment loss on falling price of inventories	0.00	3,059,921.43
Impairment loss on fixed assets	<u>0.00</u>	<u>504,857.61</u>
Total	<u>77,609.69</u>	<u>3,387,435.40</u>

5.35 Gains from changes in fair value

<u>Source of gains from changes in fair value</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Transactional financial assets	13,795,033.05	(1,588,661.38)
Including: Derivative financial assets	13,795,033.05	(1,588,661.38)
Transactional financial liabilities	0.00	(224,351.63)
Including: Derivative financial liabilities	<u>0.00</u>	<u>(224,351.63)</u>
Total	<u>13,795,033.05</u>	<u>(1,813,013.01)</u>

5.36 Investment income

<u>Source of investment income</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Transactional financial assets	5,001,905.37	1,704,186.94
Gains from disposal of investment in subsidiaries	297,175.94	383,778.40
Other	<u>7,500.00</u>	<u>7,500.00</u>
Total	<u>5,306,581.31</u>	<u>2,095,465.34</u>

5.37 Non-operating income

5.37.1 Details of non-operating income:

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Gains from disposal of non-current assets	2,024,215.83	6,000,018.57
Including: Gains from disposal of fixed assets	2,024,215.83	6,000,018.57
Government grants	2,336,916.06	4,300,109.16
Others	<u>920,603.28</u>	<u>958,561.12</u>
Total	<u>5,281,735.17</u>	<u>11,258,688.85</u>

5.37.2 Government grants

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>	<u>Approval authority</u>	<u>Approval Documents</u>
Subsidies for export letter guarantees	1,299,401.06	4,066,109.16	Fujian Province Finance Bureau	China Exports & Credit Insurance Corporation Fujian Branch
Provincial significant financial subsidies	0.00	150,000.00	Longhai Education Bureau	Longjiaocai[2009]No. 385
Subsidies for industrial design	540,000.00	0.00	Longhai Municipal Committee Zhangzhou Education Bureau	Longwei 【2011】 No. 01
Subsidies for patents application	370,000.00	0.00	Longhai Municipal Committee	Zhangcaijiao【2010】 No. 153 号、Longwei 【2011】 No. 4
Special funds for environmental protection	20,000.00	0.00	Longhai Environmental Protection Bureau	Special funds for environmental protection in 2009
Subsidies for excellent enterprises in Technology Standard Strategy	10,000.00	0.00	Fujian Provincial Bureau of Quality and Technical Supervision	Minzhijianbiao 【2010】 No. 763
Special funds for patent	95,515.00	0.00	Zhangzhou Finance Department	Document from Zhangzhou Intellectual Property Bureau
Others	<u>2,000.00</u>	<u>84,000.00</u>	Xiamen Intellectual Property Bureau	Xiajiaocai (2006) No. 22
Total	<u>2,336,916.06</u>	<u>4,300,109.16</u>		

5.38 Non-operating expenses

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Loss on disposal of non-current assets	36,996.37	40,632.03
Including: Loss on disposal of fixed assets	36,996.37	40,632.03
Losses on scraped fixed assets	479,042.45	244,925.33
Fines	53.60	300.00
Public donation	195,000.00	500,000.00
Others	<u>2,401.68</u>	<u>22,622.37</u>
Total	<u>713,494.10</u>	<u>808,479.73</u>

5.39 Corporate income tax expenses

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Current income tax	2,808,602.40	5,817,376.02
Deferred income tax	716,114.87	<u>(2,086,820.38)</u>
Total	<u>3,524,717.27</u>	<u>3,730,555.64</u>

5.40 Computation of basic earnings per share (EPS) and diluted earnings per share

<u>Profits for current reporting period</u>	<u>Cumulative amount in current reporting period</u>		<u>Cumulative amount in last reporting period</u>	
	<u>Basic EPS</u>	<u>Diluted EPS</u>	<u>Basic EPS</u>	<u>Diluted EPS</u>
Net profits attributable to ordinary shareholders	0.02	0.02	0.03	0.03
Net profits (deducted extraordinary profits or losses) attributable to ordinary shareholders	0.01	0.01	0.03	0.03

5.41 Other comprehensive income

<u>Item</u>	<u>Amount at current period</u>	<u>Amount at last period</u>
1. Gain or loss on available-for-sale financial assets		(42,336.00)
Less: Income tax chargeable on gain or loss on available-for-sale financial assets		9,313.92
Net amount transferred to profit or loss for the current reporting period from gain or loss on available-for-sale financial assets recognized in other comprehensive income in prior reporting periods		
Subtotal	0.00	(33,022.08)
2. Share of other comprehensive income of investments measured using the equity method		
Less: Income tax affect on share of other comprehensive income of investments measured using the equity method		
Net amount transferred to profit or loss for the current reporting period from share of other comprehensive income of investments measured using the equity method recognized in other comprehensive income in prior reporting periods		
Subtotal		
3. Gain or loss on cash flow hedges		
Less: Income tax affect on gain or loss on cash flow hedges		
Net amount transferred to profit or loss for the current reporting period from gain or loss on cash flow hedges recognized in other comprehensive income in prior reporting periods.		
Adjustment to the initial amounts hedged items		
Subtotal		
4. Translation of financial statement denominated in foreign currencies	(4,910.96)	651,220.33
Less: Net amount of disposal of overseas operation transferred to profit or loss for the current reporting period		
Subtotal	(4,910.96)	651,220.33
5. Others		
Less: Income tax affect on others		
Net amount transferred to profit or loss for the current reporting period from others recognized in other comprehensive income in prior reporting periods		
Subtotal	0.00	0.00
Total	<u>(4,910.96)</u>	<u>618,198.25</u>

5.42 Notes to elements of the cash flows statement

5.42.1 Other cash receipts in relation to operating activities

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Guarantee deposit receipts	1,948,833.00	707,666.00
Rental income	11,258,608.03	7,751,484.40
Interest income	8,838,391.64	4,381,864.45
Government grants	1,350,163.50	4,287,874.98
Others	<u>12,216,139.03</u>	<u>52,208,105.72</u>
Total	<u>35,612,135.20</u>	<u>69,336,995.55</u>

5.42.2 Other cash payments in relation to operating activities

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Compensation for technological knowledge	7,442,465.70	7,863,981.69
Bank charges	1,369,979.27	2,071,779.73
Purchase and sales commission	2,488,875.74	5,271,726.87
Operation expenses and other items in administration expenses	<u>131,408,657.26</u>	<u>156,353,728.53</u>
Total	<u>142,709,977.97</u>	<u>171,561,216.82</u>

5.43 Supplementary information for the cash flows statement

5.43.1 Supplementary information for the cash flows statement

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Adjusting net profit to cash flow from operating activities:		
Net profits	31,658,693.70	49,901,606.89
Add: Impairment allowance of assets	77,609.69	3,263,185.40
Depreciation of fixed assets and biological assets held for production and depletion of oil and gas assets	105,158,665.66	62,446,481.40
Amortization of intangible assets	1,486,365.16	1,548,547.30
Amortization of long-term deferred expenses	1,048,432.20	578,248.08
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain presented with “-” prefix)	(1,987,219.46)	(6,000,043.29)
Loss on writing-off of fixed assets (gain presented with “-” prefix)	479,042.45	40,632.03
Loss on changes in fair value (gain presented with “-” prefix)	(13,795,033.05)	1,813,013.01
Financial costs	9,942,569.11	(3,261,515.30)
Investment loss (income presented with “-” prefix)	(5,306,581.31)	(6,963,369.74)
Decrease of deferred tax assets (increase presented with “-” prefix)	1,353,140.10	1,818,397.63
Increase of deferred tax liabilities (decrease presented with “-” prefix)	2,069,254.96	(281,265.86)
Decrease of inventories (increase presented with “-” prefix)	(60,310,208.07)	(52,551,026.85)
Decrease of operating receivables (increase presented with “-” prefix)	(41,953,984.16)	(226,481,633.03)
Increase of operating payables (decrease presented with “-” prefix)	(154,707,773.80)	211,585,925.45
Net cash flows from operating activities	(124,787,026.82)	37,457,183.12
Significant investing and financing activities not involving incoming and outgoing of cash flows:		
Debt-to-equity conversion	-	-

Changes on cash and cash equivalents:

Add: Cash equivalents as at the end of the reporting period	597,930,971.16	351,860,910.78
Less: Cash equivalents as at the beginning of the reporting period	<u>627,477,733.10</u>	<u>540,739,906.30</u>
Net increase of cash and cash equivalents	<u>(29,546,761.94)</u>	<u>(188,878,995.52)</u>

5.43.2 Composition of cash and cash equivalents

<u>Items</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
1. Cash		
Including: Cash in hand	878,946.84	764,317.61
Demand deposits	596,119,196.70	351,096,593.17
Unrestricted other monetary funds	932,827.62	
2. Cash equivalents		
3. Cash and cash equivalents as at the end of reporting period	<u>597,930,971.16</u>	<u>351,860,910.78</u>

Note 6: Related parties and transactions with related parties

6.1 Details of the Parent Company

<u>Parent company</u>	<u>Relationship</u>	<u>Type of incorporation</u>	<u>Place of registration</u>	<u>Legal representative</u>	<u>Nature of business</u>	<u>Registered capital</u>
STAR COMGISTIC CAPITAL CO., LTD.	Current ultimate holding company	INC	Taiwan	Jian Derong	Manufacture and sales electrical equipment	TWD 2,186,000.00 thousand

(Continued)

<u>Parent company</u>	<u>Shareholding in the Company</u>	<u>Voting right in the Company</u>	<u>Ultimate controller of the Company</u>	<u>Organization code</u>
STAR COMGISTIC CAPITAL CO., LTD.	43.37%	45.42%	Wu Cankun	Zidi 09801262480

6.2 Details of subsidiaries and sub-subsidiaries

*The monetary unit is ten thousand unless otherwise stated.

<u>Company name</u>	<u>Type of incorporation</u>	<u>Place of registration</u>	<u>Legal representative</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Shareholding (%)</u>	<u>Voting right (%)</u>	<u>Organization code</u>
TKL	Sino-foreign joint venture	Zhangzhou	Jian Derong	Home appliances manufacture	USD16,000	75.00	75.00	73954770-9
TKN	Sino-foreign joint venture	Zhangzhou	Jian Derong	Home appliances manufacture	CNY 500	56.25	75.00	77067325-2
TKS	limited liability company nonbusiness	Shanghai	Jian Derong	Home appliances manufacture	USD4,000	62.50	62.50	607291035
LTC	enterprise run by local people	Zhangzhou	Zhu Chengde	Secondary vocational education	CNY 300	75.00	100.00	79176918-1
STD	limited liability	Shanghai	Jian Derong	Sales of home	CNY 495	56.25	100.00	67455210-0

<u>Company name</u>	<u>Type of incorporation company</u>	<u>Place of registration</u>	<u>Legal representative</u>	<u>Nature of business</u>	<u>*Registered capital</u>	<u>Shareholding (%)</u>	<u>Voting right (%)</u>	<u>Organization code</u>
TSX	limited liability company	Xiamen	Zhu Chengde	Travel business	CNY 500	100.00	100.00	67829338-8
TSX3C	limited liability company	Xiamen	Dai Huiyuan	Sales of home appliances	CNY 3,000	75.00	100.00	68525122-3
TSST	limited liability company	Shanghai	Zhu Chengde	Ticket agent	CNY 550	75.00	100.00	73408027-3
TSD	limited liability company	Dalian	Dai Huiyuan	Travel business	CNY 530	74.25	99.00	66112308-3
TSXT	limited liability company	Xiamen	Dai Huiyuan	Ticket agent	CNY 150	75.00	100.00	73788566-7
SCCX	limited liability company	Xiamen	Jian Derong	Sales of home appliances	CNY 2,800	75.00	100.00	55623112-X
Brillant Leader Ltd	limited liability company	Hongkong	Jian Derong	Investment, trade	USD 495	75.00	100.00	1490869
Globe Strong Limited	limited liability company	Hongkong	Jian Derong	Investment, trade	USD 5	75.00	100.00	1490775
T KI	limited liability company	Indonesia	Jian Derong	Electrical appliances manufacture	USD 500	75.00	100.00	

6.3 Details of other related parties

<u>Other related parties</u>	<u>Relationship</u>	<u>Organization code</u>
EUPA Industry Corporation Limited	Shareholder	12959659-000-07-6
Fordchee Development Limited	Shareholder	14676920-000-01-09-A
Fillman Investment Limited	Shareholder	16269694-000-07-08-4
Tsann Kuen USA, Inc.	Same ultimate holding company	
Tsann Kuen Japan Co., Ltd.	Same ultimate holding company	0105-01-021064
Thermaster Electronic (Xiamen) Ltd.	The company directly controlled by the key management and closed family members	61201968-5
STAR TRAVEL SERVICE CORP.	Same ultimate holding company	80170076
PT. STAR COMGISTIC	Same ultimate holding company	

6.4 Transactions with related parties

6.4.1 Transactions through which goods are purchased or services are accepted

<u>Related parties</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Thermaster Electronic (Xiamen) Ltd.	24,406,402.96	33,478,239.20
STAR COMGISTIC CAPITAL CO., LTD	11,156,148.32	14,750,404.36
Total	<u>35,562,551.28</u>	<u>48,228,643.56</u>

6.4.2 Transactions to supply goods or services

<u>Related parties</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Tsann Kuen Japan Co., Ltd.	135,833,993.47	122,178,556.70
TSANN KUEN (CHINA) ENTERPRISE CO., LTD.	0.00	11,050,441.95
STAR COMGISTIC CAPITAL CO., LTD	33,353,813.98	26,628,782.35
Thermaster Electronic (Xiamen) Ltd.	50,858.00	86,651.09
PT. STAR COMGISTIC	<u>4,455,684.83</u>	<u>0.00</u>
Total	<u>173,694,350.28</u>	<u>159,944,432.09</u>

6.4.3 Capital absorbed and loan between related parties

<u>Related parties</u>	<u>Amount</u>	<u>Inception date</u>	<u>Expiry date</u>	<u>Remarks</u>
Capital absorbed:				
Fillman Investment Limited	64,716,000.00	2011/1/28	2011/12/27	The interest rate is LIBOR+1%
Sinoglobal Development Limited	<u>64,716,000.00</u>	2011/2/25	2011/12/24	The interest rate is LIBOR+1%
Total	<u>129,432,000.00</u>			

6.4.4 Purchase of modules and machineries

<u>Related parties</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
TSANN KUEN (CHINA) ENTERPRISE CO., LTD.	0.00	64,078.48
STAR COMGISTIC CAPITAL CO., LTD	<u>84,385.00</u>	<u>415,293.05</u>
Total	<u>84,385.00</u>	<u>479,371.53</u>

6.4.5 Other transactions with related parties

<u>Related parties</u>	<u>Content of transaction</u>	<u>Cumulative amount in current reporting period</u>	<u>Cumulative amount in last reporting period</u>
Payment:			
STAR COMGISTIC CAPITAL CO., LTD.	Technical knowledge support fee (Note 1)	7,914,482.47	8,729,639.27
Tsann Kuen USA, Inc.	Agency fee for sales (Note 2)	194,011.47	527,838.83
STAR COMGISTIC CAPITAL CO., LTD.	Agency fee for procurement (Note 3)	558,357.18	1,005,345.79
EUPA INDUSTRY CORPORATION LTD	Agency fee for procurement (Note 11)	0.00	421,648.57
Tsann Kuen Japan Co., Ltd.	Sales commission (Note 6)	1,758,258.94	1,507,099.78
STAR COMGISTIC CAPITAL CO., LTD.	Consulting fees (Note 5)	0.00	403,400.17
	Three guarantee expenses on repair, replacement and refund of substandard (Note 4)	7,682,023.81	5,575,812.57
Tsann Kuen Japan Co., Ltd.			
STAR TRAVEL SERVICE CORP.	Receiving services (Note 7)	<u>2,094,148.21</u>	<u>3,654,586.81</u>
Total		<u>20,201,282.08</u>	<u>21,825,371.79</u>
Income			
Tsann Kuen Enterprise Co., Ltd	Consulting fees (Note 9)	0.00	1,234,691.22
Tsann Kuen Enterprise Co., Ltd	Sales commission (Note 8)	0.00	136,094.58
STAR TRAVEL SERVICE CORP.	Rendering of service (Note 7)	397,880.79	2,626,370.30
STAR COMGISTIC CAPITAL CO., LTD.	Rendering of service	0.00	9,085.94
Tsann Kuen Enterprise Co., Ltd	Rendering of service (Note 10)	<u>0.00</u>	<u>5,261.80</u>
Total		<u>397,880.79</u>	<u>4,011,503.83</u>

Note 1: The Company and subsidiaries measures technical knowledge support fees based on proportionate monthly excess accumulated sales of net amount of licensed products.

Note 2: Tsann Kuen USA, Inc. is responsible for provide “after sales services” in America area for the sales of American of the Company and its subsidiaries, the Company and its subsidiaries pay for those after sales service based on 102% of the actual related expenses incurred by Tsann Kuen USA, Inc..

Note 3: The Company and its subsidiaries entrust related companies 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.

Note 4: It refers to relative product quality expenses for those sales from TKL to TKJ.

Note 5: Since 1 November 2009, STAR COMGISTIC CAPITAL CO., LTD. provided professional consultant services for the Company and its subsidiaries related to the worldwide purchase activities. The Company and its subsidiaries pay for the consultant fees base on 105% of the actual related expenses incurred.

Note 6: The Company sale products to Japan, and simultaneous signed agreement with TKJ, the Company shall be paid for commission limited to the 10% of total revenues from TKJ.

Note 7: The Company with STAR TRAVEL SERVICE CORP. 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.

Note 8: The Company with Tsann Kuen Enterprise Co., Ltd agreed, the Company is responsible for take 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 1.20 per actual sold products.

Note 9: The Company assists Thermaster Electronic (Xiamen) Ltd. for its general management, the consulting fees paid by Thermaster Electronic (Xiamen) Ltd. are calculated based on 105% of actual expenses incurred from the assistance of management. In 2011, Thermaster Electronic (Xiamen) Ltd. is able to manage the company by itself, and as a result, the contract of consulting fees has been terminated.

Note 10: The Company provides agency services for Thermaster Electronic (Xiamen) Ltd., and each series of agency service charges based on the actual quote.

Note 11: EUPA INDUSTRY CORPORATION LTD deals with procedures and assignments needed in import and export for the Company and its subsidiaries, including transiting raw material and finished goods, making export declaration, arranging transport channels (land, sea, and air transport), taking bills of lading, picking up goods. Charges thereof are paid at the rate of 107% of expenses arising from agency service provided by EUPA INDUSTRY CORPORATION LTD.

Note 12: The Company signed advanced pricing arrangement with National tax authorities of Xiamen city, Zhangzhou city, Shanghai city, which regarding the above-mentioned pricing arrangement for technical knowledge, sales agency fees, and after sales service fees and procurement agency fees.

6.5 The balance of payables and receivables among related parties:

<u>Name of related party</u>	<u>2011.06.30</u>		<u>2010.12.31</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Accounts receivable				
Tsann Kuen Japan Co., Ltd.	96,307,299.61	17.39%	76,907,815.34	16.44%
Thermaster Electronic (Xiamen) Ltd.	13,448.00	0.00%	9,750.00	0.00%
Tsann Kuen Japan Co., Ltd	0.00	0.00%	242,282.90	0.05%
STAR COMGISTIC CAPITAL CO., LTD	15,873,290.19	2.87%	10,577,697.22	2.26%
STAR TRAVEL SERVICE CORP.	78,341.14	0.01%	77,539.30	0.02%
PT. STAR COMGISTIC	<u>4,449,886.01</u>	<u>0.80%</u>	<u>0.00</u>	<u>0.00%</u>
Total	<u>116,722,264.95</u>	<u>21.08%</u>	<u>87,815,084.76</u>	<u>18.77%</u>
Accounts payable				
Thermaster Electronic (Xiamen) Ltd.	15,552,582.19	1.99%	5,291,500.93	0.63%
STAR COMGISTIC CAPITAL CO., LTD	6,350,975.59	0.81%	2,621,183.79	0.31%
STAR TRAVEL SERVICE CORP.	<u>338,373.21</u>	<u>0.04%</u>	<u>832,348.34</u>	<u>0.10%</u>
Total	<u>22,241,930.99</u>	<u>2.84%</u>	<u>8,745,033.06</u>	<u>1.05%</u>
Other payables				
Tsann Kuen USA, Inc.	36,033.87	0.02%	138,557.28	0.15%
Tsann Kuen Japan Co., Ltd.	2,612,489.97	1.27%	2,213,246.77	2.44%
EUPA Industry Corporation Limited	0.00	0.00%	79,475.91	0.09%
China Global Development Co., Ltd.	64,716,000.00	31.47%	0.00	0.00%
Aliens Investment Co., Ltd.	64,716,000.00	31.47%	0.00	0.00%
STAR COMGISTIC CAPITAL CO., LTD	4,363,584.64	2.12%	4,689,060.68	5.17%
STAR TRAVEL SERVICE CORP.	<u>5,132.17</u>	<u>0.00%</u>	<u>162,302.37</u>	<u>0.18%</u>
Total	<u>136,449,240.65</u>	<u>66.35%</u>	<u>7,282,643.01</u>	<u>8.03%</u>

Note 7: Contingencies

No significant contingency is required for disclosure as at the balance sheet date.

Note 8: Financial commitments

8.1 Irrevocable lease contracts under performance and their financial effects

<u>Items</u>	<u>2011.6.30</u>	<u>2010.12.31</u>
	<u>RMB Ten thousand</u>	<u>RMB Ten thousand</u>
The minimum lease payments of irrevocable operating lease contracts		
House leasing		
1st year after the balance sheet date	3,727	3,727
2nd year after the balance sheet date	3,727	3,727
3rd year after the balance sheet date	3,727	3,727
Subsequent years	<u>141,619</u>	<u>145,346</u>
Total	<u>152,800</u>	<u>156,527</u>

8.2 Performance of financial commitments of prior reporting periods

Up to the current reporting date, the above commitments are being kept performed without violation.

Note 9: Post-balance-sheet-date events

No other post-balance-sheet-date event is required for disclosure as at the balance sheet date.

Note 10: Other significant events

10.1 Assets and liabilities measured at fair value

<u>Items</u>	<u>2010.12.31</u>	<u>Gains and losses arising from changes in fair value during the current reporting period</u>	<u>Cumulative changes in fair value recognized in equity</u>	<u>Impairment allowance recognized during the current reporting period</u>	<u>2011.6.30</u>
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	2,301,579.95	13,795,033.05	0.00	0.00	16,096,613.00
s3. Available-for-sale financial assets	0.00	0.00	0.00	0.00	0.00
Subtotal of financial assets					
Investment properties					
Biological assets held for production					
Others					
Total of assets	<u>2,301,579.95</u>	<u>13,795,033.05</u>	<u>0.00</u>	<u>0.00</u>	<u>16,096,613.00</u>

10.2 Financial assets and financial liabilities denominated in foreign currencies

<u>Items</u>	<u>2010.12.31</u>	<u>Gains and losses arising from changes in fair value during the current reporting period</u>	<u>Cumulative changes in fair value recognized in equity</u>	<u>Impairment allowance recognized during the current reporting period</u>	<u>2011.6.30</u>
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	0.00	0.00	0.00	0.00
3. Loans and receivables	463,619,163.85	0	0	(42,155.17)	536,015,584.53
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>463,619,163.85</u>	<u>0.00</u>	<u>0.00</u>	<u>(42,155.17)</u>	<u>536,015,584.53</u>
Financial liabilities	<u>112,448,659.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>367,349,571.98</u>

10.3 Others

The Company's subsidiary Zhangzhou Tsann Kuen signed Cooperation Framework Agreement, Agreement on Transaction of Working Assets, and Supply Agreement on Raw Materials etc. with Shanghai Sigma Metals Co., Ltd. on 31 Dec. 2006. The main content of the agreements were as follows: besides selling working assets, Zhangzhou Tsann Kuen had to transfer business opportunities to Shanghai Sigma, and the total amount of the transactions reached RMB 100,000,000; Shanghai Sigma would act as the Company's main supplier of raw materials for aluminum products, fixing settlement price in accordance with reduced amount and ratio per ton engaged by both parties. In light of the Agreement on Transaction of Working Assets, Shanghai Sigma paid down payment of RMB 38,000,000, and would monthly deduct and offset the balance of RMB 62,000,000 from processing fee of molten aluminum, which was commissioned to manufacturer by Zhangzhou Tsann Kuen and produced by Shanghai Sigma, in the future. Zhangzhou Tsann Kuen committed to procure molten aluminum or aluminum ingots from Shanghai Sigma with procurement volume no less than 70% of its total demand for molten aluminum or aluminum ingots during the next three years upon the effectiveness of Supply Agreement on Raw Materials. When it comes to the expiry of the aforesaid three years, and the balance still hasn't been offset completely from the processing fee for the sake of insufficiency of orders from Zhangzhou Tsann Kuen -- Zhangzhou Tsann Kuen will then agree on the extension of Supply Agreement on Raw Materials and offset the rest balance by business cooperation. Shanghai Sigma won't have to pay the rest balance if the agreement is terminated because of Zhangzhou Tsann Kuen's fault; or Shanghai Sigma will have to implement one-time payment if the agreement is terminated because of its own fault. The aforesaid agreements had been executed for three years as at the balance sheet date. The rest balance of RMB 39,746,220.40 hadn't been carried over yet and would be continually deducted and offset in the future. So far, the Company has employed a lawyer to study on those agreements and discussed with Shanghai Sigma Metals Co., Ltd.

Note 11: Notes to the main elements of the separate financial statement of the Company

11.1 Other receivables

11.1.1 Disclosure by classification

Items	2011.06.30				2010.12.31			
	Amount	Proportion	Bad debt provision	Proportion	Amount	Proportion	Bad debt provision	Proportion
Other accounts receivable belong to individual significance and individually assessed for impairment	0.00		0.00	0.00%	0.00	0.00%	0.00	0.00%
Other accounts receivable belong to recognition of impairment allowances by group:	0.00		0.00	0.00%	0.00	0.00%	0.00	0.00%
Age group	98,559.37	3.47%	1,166.52	0.04%	126,090.00	100.00%	0.00	0.00%
Related party group	<u>2,743,265.40</u>	<u>96.53%</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>
Subtotal of groups	<u>2,841,824.77</u>	<u>100.00%</u>	<u>1,166.52</u>	<u>0.04%</u>	<u>126,090.00</u>	<u>100.00%</u>	<u>0.00</u>	<u>0.00%</u>
Other accounts receivable belong to individually insignificant but individually assessed for impairment	<u>0.00</u>	<u>0.00%</u>	<u>0.00</u>	<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>
Total	<u>2,841,824.77</u>	<u>100.00%</u>	<u>1,166.52</u>	<u>0.04%</u>	<u>126,090.00</u>	<u>100.00%</u>	<u>0.00</u>	<u>0.00%</u>

11.1.2 Other receivables using the age analysis method for measurement of impairment allowances:

Items	2011.06.30			2010.12.31		
	Amount	Proportion	Bad debt provision	Amount	Proportion	Bad debt provision
Within 1 year	98,559.37	100.00%	1,166.52	126,090.00	100.00%	0.00
Including: 1-90 days	86,894.21	88.16%		126,090.00	100.00%	0.00
91-180 days	<u>11,665.16</u>	<u>11.84%</u>	<u>1,166.52</u>			
Total	<u>98,559.37</u>	<u>100.00%</u>	<u>1,166.52</u>	<u>126,090.00</u>	<u>100.00%</u>	<u>0.00</u>

11.1.3 The Company has no other receivables owed by entities which own 5% or more of the shares of the Company.

11.2 Long-term equity investments

11.2.1 Circumstance of long-term equity investments:

Investees	Measurement	Investment costs	Shareholding %	Voting right %	Reason(s) for discrepancy between shareholding and voting right
TKS	Cost method	194,545,872.18	62.50	62.50	
TKL	Cost method	921,914,701.56	75.00	75.00	
TSX	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>1,121,500,573.74</u>			

(Continued)

Investees	Carrying amount as at 31/12/2010	Movement during the current reporting period	Carrying amount as at 31/12/2011	Impairment allowance	Impairment allowance recognized during the current reporting period	Cash dividends during the current reporting period
TKS	194,545,872.18	0	194,545,872.18	130,646,542.91	0	0
TKL	921,914,701.56	0	921,914,701.56	0	0	67,724,795.69
TSX	5,000,000.00	0	5,000,000.00	0	0	0
Xiamen Institute of Foreign Investment Enterprise	<u>40,000.00</u>	<u>0</u>	<u>40,000.00</u>	<u>0</u>	<u>0</u>	<u>7,500.00</u>
Total	<u>1,121,500,573.74</u>	<u>0.00</u>	<u>1,121,500,573.74</u>	<u>130,646,542.91</u>	<u>0.00</u>	<u>67,732,295.69</u>

11.3 Operating revenues and costs

11.3.1 Operating revenues

<u>Items</u>	<u>Cumulative amount of the reporting period</u>	<u>Cumulative amount of the same period of last year</u>
Revenue from principal operating activities	0.00	0.00
Revenue from other operating activities	<u>1,176,065.20</u>	<u>3,021,092.42</u>
Total operating revenue	<u>1,176,065.20</u>	<u>3,021,092.42</u>
Operating costs for principal operating activities	0.00	0.00
Operating costs for other operating activities	<u>959,931.54</u>	<u>2,920,911.71</u>
Total operating costs	<u>959,931.54</u>	<u>2,920,911.71</u>

11.3.2 Revenue from other operating activities disclosure by classification

<u>Items</u>	<u>Cumulative amount of the reporting period</u>		<u>Cumulative amount of the same period of last year</u>	
	<u>Other operating revenue</u>	<u>Other operating costs</u>	<u>Other operating revenue</u>	<u>Other operating costs</u>
Rental income	1,176,065.20	959,931.54	1,787,622.03	1,746,178.02
Consultant income	<u>0.00</u>	<u>0.00</u>	<u>1,233,470.39</u>	<u>1,174,733.69</u>
Total	<u>1,176,065.20</u>	<u>959,931.54</u>	<u>3,021,092.42</u>	<u>2,920,911.71</u>

11.4 Investment income

11.4.1 Details of investment income

<u>Source of investment incomes</u>	<u>Cumulative amount of</u>	<u>Cumulative amount of the same</u>
	<u>the reporting period</u>	<u>period of last year</u>
Others	<u>67,732,295.69</u>	<u>7,500.00</u>
Total	<u>67,732,295.69</u>	<u>7,500.00</u>

11.4.2 Investment income from long-term equity investments measured using the historical cost convention

<u>Investees</u>	<u>Occurred amount of the reporting period</u>	<u>Occurred amount of the same period of last year</u>	<u>Reason(s) for changes from the previous period</u>
TKL	67,724,795.69	7,841,713.97	Received cash dividends
Investment income arising from disposal of subsidiaries		<u>(2,582,936.39)</u>	
Xiamen Institute of Foreign Investment Enterprise	<u>7,500.00</u>	<u>7,500.00</u>	
Total	<u>67,732,295.69</u>	<u>5,266,277.58</u>	

11.5 Supplementary information to the separate statement of cash flows of the Company

<u>Items</u>	<u>Cumulative amount of the reporting period</u>	<u>Cumulative amount of the same period of last year</u>
Adjusting net profit to cash flow from operating activities:		
Net profits	64,193,028.73	2,619,218.93
Add: Impairment allowance of assets	1,166.52	(672,007.38)
Depreciation of fixed assets and biological assets held for production and depletion of oil and gas assets	2,880,891.25	1,470,082.70
Amortization of intangible assets	507,633.54	507,633.54
Amortization of long-term deferred expenses	16,149.00	147,139.02
Loss on disposal of fixed assets, intangible assets	0.00	0.00

<u>Items</u>	<u>Cumulative amount of the reporting period</u>	<u>Cumulative amount of the s ame period of last year</u>
and other long-term assets (negative: gains)		
Loss on writing-off of fixed assets (negative: gains)	0.00	0.00
Loss on changes in fair value (negative: gains)	-	0.00
Financial costs	358.09	64,893.19
Investment loss (negative: gains)	(67,732,295.69)	(5,266,277.58)
Decrease of deferred tax assets (negative: increase)	-	0.00
Increase of deferred tax liabilities (negative: decrease)	0.00	(9,313.92)
Decrease of inventories (negative: increase)	0.00	0.00
Decrease of operating receivables (negative: increase)	(2,977,927.63)	(1,950,070.74)
Increase of operating payables (negative: decrease)	1,279,732.60	(7,998,364.05)
Net cash flows from operating activities	(1,831,263.59)	(11,087,066.29)
Significant investing and financing activities not involving movements of cash flows:		
Debt-to-equity conversion	-	-
Net changes of cash and cash equivalents:		
Closing balance of cash equivalents	16,091,077.74	5,866,334.79
Less: opening balance of cash equivalents	<u>904,966.64</u>	<u>494,441.23</u>
<u>Net increase of cash and cash equivalents</u>	<u>15,186,111.10</u>	<u>5,371,893.56</u>

Note 12: Supplementary information

12.1 Extraordinary gains or losses for current reporting period

<u>Items</u>	<u>Amount</u>
Add: (1)Gains and Losses on disposal of non-current assets, including provision for the write-off part of asset impairment	1,508,177.01
(2)Refunding and exemption of taxes in excess of authority or without official approval documents, or with contingency	
(3)Government subsidies accounted into current income account, except for those government subsidies closely related to the Company's normal operation business, according with state policies, and sustainably received by quota or ration	2,336,916.06
(4)Capital adoption fee collected from non-financial organizations and accounted into current gain/loss	
(5)Gain/loss from differences between the investment cost from subsidiaries, associated enterprise, as well as joint ventures and the fair value of recognizable net asset of the invested entities	
(6)Gain/loss from non-monetary assets	
(7)Gain/loss from commissioned investment or assets	
(8)Asset impairment provisions provided for force-majeure, for example, natural disasters	
(9)Gain/loss from debt reorganization	
(10)Enterprise reorganizing expenses, such as employee placement fee and integration fee	
(11)Gain/loss from trade departing from fair value	
(12)Current net gain/loss of subsidiaries under same control from beginning of term till date of consolidation	
(13)Gain/loss generated by contingent liabilities without connection with main businesses	

<u>Items</u>	<u>Amount</u>
(14)Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses	18,796,938.42
(15)Restoring of receivable account impairment provision tested individually	
(16)Gain/loss from commissioned loans	
(17)Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	
(18)Influence of one-time adjustment made on current gain/loss account according to the laws and regulations regarding tax and accounting	
(19)Consigning fee received for consigned operation	
(20)Other non-business income and expenditures other than the above	723,148.00
(21)Other gain/loss items satisfying the definition of nonrecurring gain/loss account	
Subtotal	23,365,179.49
Less: Influenced amount of income tax	3,485,169.79
Less: Influenced amount of minor shareholders' equity	<u>4,951,032.11</u>
Total	<u>14,928,977.59</u>

12.2 Yield Rate of Net Assets and Earnings Per Share

<u>Profits for the reporting 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 2011	4.77%	0.02	0.02
	For year 2010	15.01%	0.06	0.06
Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses)	For year 2011	1.61%	0.0068	0.0068
	For year 2010	13.78%	0.05	0.05

Note 13: Authorization for publication

The financial statements have been authorized to publish by the Board of Directors on 13 Aug. 2011.

Tsann Kuen (China) Enterprise Co., Ltd.