

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.
Annual Report 2011
(Prepared under PRC GAAP)

CONTENTS

I. COMPANY PROFILE	3
II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS	4
(I). PROFIT REALIZED AS OF THE YEAR 2011	4
(II). MAJOR ACCOUNTING DATA AND FINANCIAL INDEXES	6
(III). FULLY DILUTED AND WEIGHTED AVERAGE EQUITY ON RETURN AND EPS	6
(IV). STATEMENT ON CHANGES OF SHAREHOLDERS' EQUITY IN THE REPORT PERIOD	7
III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS	8
(I). CHANGES OF SHARES	8
(II). INTRODUCTION ABOUT ISSUING AND LISTING OF SHARES	8
(III). BRIEF INTRODUCTION OF SHAREHOLDERS	9
(IV). BRIEF INTRODUCTION ABOUT THE CONTROLLING SHAREHOLDERS OF THE COMPANY	10
(V). DESCRIPTION OF THE ACTUAL CONTROLLER	10
IV. DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES	11
(I). DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES	11
(II). INTRODUCTION OF EMPLOYEES	14
V. CORPORATE GOVERNANCE STRUCTURE	14
(I) CORPORATE GOVERNANCE	14
(II). PERFORMANCE OF INDEPENDENT DIRECTORS	16
(III). THE COMPANY WAS SEPARATED FROM THE CONTROLLING SHAREHOLDER IN BUSINESS, PERSONNEL ASSETS, ORGANIZATION AND FINANCING.	17
(IV). ESTABLISHMENT AND PERFECTING OF INTERNAL CONTROL OF THE COMPANY	18
(V). THE PERFORMANCE APPRAISAL AND INCENTIVE MECHANISM OF SENIOR MANAGEMENT	23
VI. BRIEF FOR SHAREHOLDERS' GENERAL MEETING	23
VII. REPORT OF THE BOARD OF DIRECTORS	23
(I) OPERATION RETROSPECT OF THE COMPANY IN THE REPORT PERIOD	23
(II) OUTLOOK OF THE COMPANY	30
(III) DEVELOPMENT TREND OF THE INDUSTRY AND OUTLOOK OF THE MARKET	31
(IV) CAPITAL EXPENDITURE PLAN	32

(V) THE MAIN RISK FACTORS OF DEVELOPMENT IN THE FUTURE.....	32
(VI) INVESTMENT OF THE COMPANY	34
(VII) THE ROUTINE WORK OF THE BOARD OF DIRECTORS.....	34
VIII. REPORT OF SUPERVISORY COMMITTEE	42
IX. SIGNIFICANT EVENTS.....	43
(I) SIGNIFICANT LITIGATION OR ARBITRATION	43
(II) SIGNIFICANT PURCHASE OR DISPOSAL OF ASSETS AND ACQUISITION OR MERGE DURING THE REPORT PERIOD.....	43
(III) SIGNIFICANT RELATED TRANSACTION	44
(IV) SIGNIFICANT GUARANTEE.....	45
(V). DERIVATIVES INVESTMENTS	46
(VI) EXECUTION OF THE COMMITTED EVENTS BY THE SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES OF THE COMPANY	47
(VII) PROPOSAL ON REENGAGEMENT OF REANDA CERTIFIED PUBLIC ACCOUNTANTS.....	47
(VIII) PARTICULARS ON SITE-INSPECTION BY XIAMEN CSRC	47
(IX) OTHER EVENTS.....	48
(X) RECEPTION OF INVESTIGATION AND INTERVIEW OF THE COMPANY IN THE REPORT PERIOD..	49
X. FINANCIAL REPORT (ATTACHED).....	50
(I) AUDIT REPORT	50
(II) FINANCIAL STATEMENT	50
XI. DOCUMENT AVAILABLE FOR REFERENCE	50

Important Notes

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

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

All directors attended the Board sessions, at which the Annual Report 2011 was examined.

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

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

I. Company Profile

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

6. Newspaper for Information Disclosure	Domestic <Securities Times> Overseas <Hong Kong Ta Kung Pao>
Website for Disclosing the Annual Report	www.cninfo.com.cn
Place where the Annual Report is Prepared and Placed	TSANN KUEN Industrial Park, Longchi Development Zone, Zhangzhou, Fujian
7. Stock Exchange Listed with	Shenzhen Stock Exchange
Short Form of the stock	Min Tsann Kuen B
Stock Codes	200512
8. Initial Registration Date and Place	On 1 Jan. 1988 in Xiamen
Registration Number of Business License	350200400001420
Organization Code	61200217-0
Registration number of taxation	NTWZi350206612002170
Certified Public Accountants Engaged by the Company	Reanda Certified Public Accountants Co., Ltd.
Auditor's Office Address	Rm. 2008, 20 th /F, 1 Block East, Balizhuangxili, Chaoyang District, Beijing, P.R. China

II. Summary of Financial Highlights and Business Highlights

(I). Profit realized as of the year 2011

Unit: RMB Yuan

No.	Item	Amount
1	Operating profit	14,126,267.25
2	Total profit	26,842,476.68
3	Net profit attributable to listed company's shareholders	9,758,413.34
4	Net profit attributable to listed company's shareholders after deducting extraordinary gains and losses	(15,417,233.23)
5	Net cash flow from operating activities	93,983,342.37

1. Items of extraordinary gains and losses and amount

Unit: RMB Yuan

Items	Amount
Net profit	9,758,413.34
Add: gains and losses from disposal of non-current assets, including the part that withdrawn reserve for impairment of assets were offset	(8,235,593.91)
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	(26,237,210.53)
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	(3,896,094.04)
Other non-operating income and expense beside for the above-mentioned each items	(584,521.48)
Other gains and losses amount that fits in non-operating gains and losses	(297,175.94)
Subtotal	(39,250,595.90)
Influence on enterprise income tax	5,784,142.82
Net profit attributable to minority shareholders after deducting extraordinary gains and losses	8,290,806.51
Net profit attributable to shareholder of parent company after deducting extraordinary gains and losses	(15,417,233.23)

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

This financial statement was prepared under PRC GAAP, which was different from that under IFRS. As at 31 Dec. 2011, the net profits attributable to the listed companies' shareholders in statutory financial report was RMB 9,758,413.34 as well as the net assets of RMB 470,858,567.38. Both net profit and net assets after deducting the shareholders' equity should be adjusted, as pursuant to IFRS, as follow:

Unit: RMB Yuan

Item	Net profit attributable to the listed company's shareholders		Owners' equity attributable to the listed company's shareholders	
	2011	2010	31 Dec. 2011	31 Dec. 2010
Under IFRS	11,177,219.00	63,380,479.87	470,858,567.38	459,992,700.55
Under CAS	9,758,413.34	64,373,615.28	470,858,567.38	461,411,506.21
Adjustment pursuant to IFRS:				
Adjustment due to the adoption of swap exchange rates in the calculation of fixed assets acquired before 1994	0.00	(1,264,821.60)	0.00	0.00
Offset the depreciation this year of the added value of fixed assets of which value is estimated to increase in 1993	1,418,805.66	271,686.19	0.00	(1,418,805.66)
Total difference under CAS and IFRS	1,418,805.66	(993,135.41)	0.00	(1,418,805.66)
Explanation on the difference under CAS and IFRS	1. Adjustment due to the adoption of swap exchange rates in the calculation of fixed assets acquired before 1994 was fully amortized in Dec. 2010. 2. The depreciation this year of the added value of fixed assets of which value is estimated to increase in 1993 is fully amortized in 2011.			

(II). Major accounting data and financial indexes

Special case/ Year		Unit	2011	2010	2009	2011 2010
1	Operating income	RMB Yuan	2,914,385,253.04	3,334,396,248.73	2,749,406,200.90	-12.60%
2	Total profit	RMB Yuan	26,842,476.68	91,742,317.25	64,556,409.21	-70.74%
3	Net profit attributable to listed company's shareholders	RMB Yuan	9,758,413.34	64,373,615.28	52,759,688.10	-84.84%
4	Net profit attributable to listed company's shareholders after deducting extraordinary gains and losses	RMB Yuan	(15,417,233.23)	59,082,048.54	38,824,465.74	-126.09%
5	Total assets	RMB Yuan	1,916,130,287.89	1,985,108,875.38	2,117,764,266.23	-3.47%
6	Shareholders' equity (except minority interests)	RMB Yuan	470,858,567.38	461,411,506.21	396,565,377.00	2.05%
7	Net cash flow arising from operating activities	RMB Yuan	93,983,342.37	226,182,193.87	304,860,856.66	-58.45%
8	Net cash flow per share arising from operating activities	RMB Yuan	0.0845	0.2033	0.2741	-58.44%
9	Net assets per share attributable to listed company's shareholders	RMB Yuan	0.4233	0.4148	0.3565	2.05%
10	Net assets per share after adjustment	RMB Yuan	0.4170	0.4095	0.3553	1.85%
11	Basic earnings per share	RMB Yuan	0.01	0.06	0.05	-83.33%
12	Earnings per share after deducting extraordinary gains and losses	RMB Yuan	(0.01)	0.05	0.03	-126.18%
13	Return on net assets	Diluted	2.07%	13.95%	13.30%	-11.88%
		Weighted	2.09%	15.01%	14.25%	-12.92%

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

Profit in the report period	Return on equity (%)		Return on equity (%)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit attributable to Company's shareholders holding ordinary share	2.07%	2.09%	0.01	0.01
Net profit attributable to Company's shareholders holding ordinary share after deducting extraordinary gains and losses	-3.27%	-3.31%	-0.01	-0.01

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

Unit: RMB Yuan

Items	Amount this year									
	Shareholders' equity attributable to parent company							Minority interests	Total Shareholders' equity	
	Share capital	Capital reserve	Less: treasury stock	Special reserves	Surplus reserve	General risk reserve	Retained profit			Converted difference in foreign currency statements
I. Balance at the end of previous year	1,112,350,077.00	125,035,204.92					(775,973,855.22)	79.51	377,091,826.14	838,503,332.35
Plus(I): changes of accounting policies										-
(II) Correction of accounting errors in prior years										-
Other										-
II. Balance at the beginning of this year	1,112,350,077.00	125,035,204.92					(775,973,855.22)	79.51	377,091,826.14	838,503,332.35
III. Increase/decrease for year 2011							9,758,413.34	(311,352.17)	(17,543,076.97)	(8,096,015.80)
(I) Net profit							9,758,413.34		5,081,854.93	14,840,268.27
(II) Other comprehensive gains								(311,352.17)		(311,352.17)
Subtotal of (I)and (II)							9,758,413.34	(311,352.17)	5,081,854.93	14,528,916.10
(III) Input by the shareholders and reduced capital									(50,000.00)	(50,000.00)
1. Capital input by shareholders									(50,000.00)	(50,000.00)
2. Amount of share payment included in the owners' equity										-
3. Other										-
(IV) Profit distribution									(22,574,931.90)	(22,574,931.90)
1. Withdrawing surplus reserve										-
2. Withdrawal of general risk reserve										-
3. Distribution to shareholders									(22,574,931.90)	(22,574,931.90)
4. Other										-
(V) Internal settlement and transfer of shareholders' equity										-
1. Transfer of capital reserve to capital										-
2. Transfer of surplus reserve to capital										-
3. Surplus reserve makes up for the loss										-
4. Others										-
(VI) Special reserve										-
1. Withdrawing in this year										-
2. Expenditure in this year										-
IV. Balance at the end of this year	1,112,350,077.00	125,035,204.92					(766,215,441.88)	(311,272.66)	359,548,749.17	830,407,316.55

III. Changes in Share Capital and Particulars about Shareholders

(I). Changes of shares

Unit: share

	Before the change		Increase/decrease in the change (+,-)					After the change	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Number	Proportion
I. Unlisted shares									
1. Sponsor's shares									
Including: State-owned shares									
Shares held by domestic corporations									
Shares held by foreign corporations									
Others									
2. Shares placed by corporations									
3. Employee shares									
4. Preference 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). Introduction about issuing and listing of shares:

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

(III). Brief introduction of shareholders

1. Number of the shareholders: The total number of the Company's shareholders by the end of the reporting period was 31,177.

2. Shares held by the top ten shareholders:

Unit: Share

No.	Name of shareholder	Nature of shareholder	Proportion of shares held	Total shares held	Non-tradable shares held	Shares pledged or frozen
1	FORDCHEE DEVELOPMENT LIMITED	Foreign corporation	29.10%	323,643,179	0	0
2	EUPA INDUSTRY CORPORATION LIMITED	Foreign corporation	13.83%	153,802,306	0	0
3	FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	27,729,575	0	0
4	TIMMERTON CO INC	Foreign corporation	1.30%	14,505,644	0	0
5	CHEN YONGQUAN	Domestic natural person	0.90%	10,012,483	0	0
6	CHEN LIJUAN	Foreign natural person	0.55%	6,076,746	0	0
7	CHEN YONGQING	Foreign natural person	0.53%	5,889,589	0	0
8	SHANGHAI INTERNATIONAL (HK) SECURITIES CO LTD	Foreign corporation	0.43%	4,810,002	0	0
9	CSC SECURITIES (HK) LTD	Foreign corporation	0.41%	4,528,179	0	0
10	TSAI SHUHUI	Foreign natural person	0.39%	4,294,433	0	0

3. Shares held by top ten tradable shareholders:

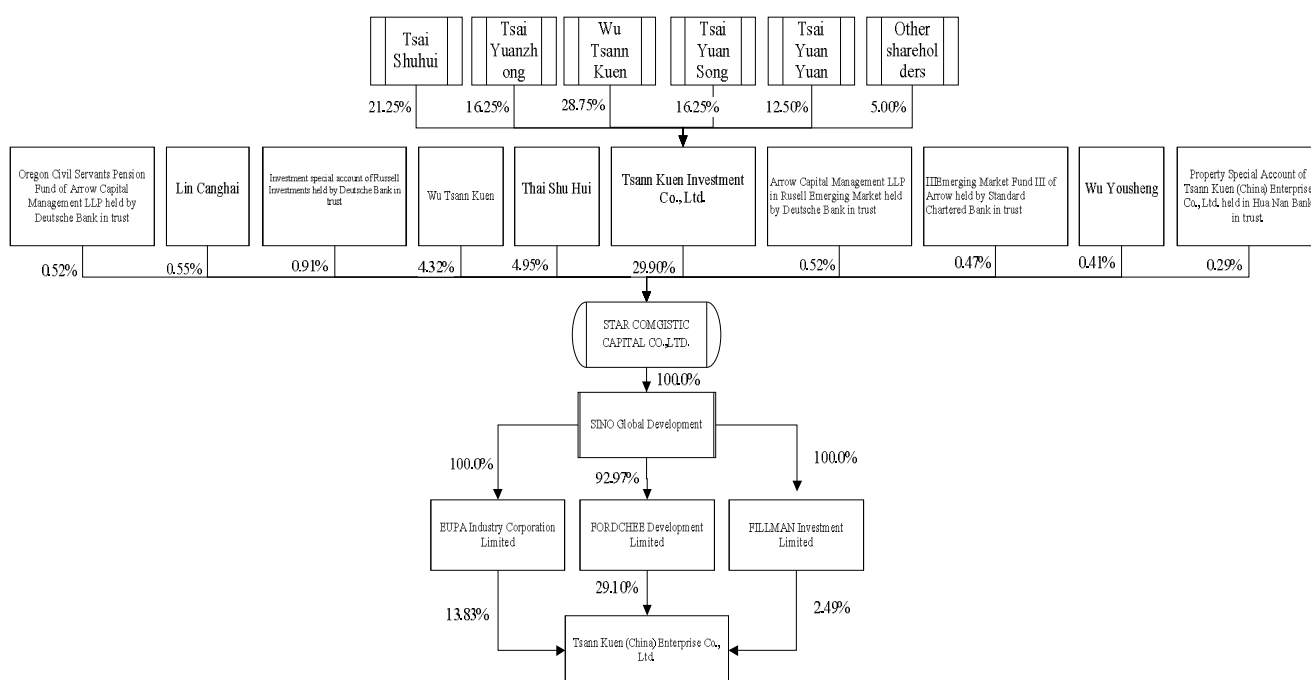
No.	Name of shareholder	Tradable shares held	Variety of shares
1	FORDCHEE DEVELOPMENT LIMITED	323,643,179	B shares
2	EUPA INDUSTRY CORPORATION LIMITED	153,802,306	B shares
3	FILLMAN INVESTMENTS LIMITED	27,729,575	B shares
4	TIMMERTON CO INC	14,505,644	B shares
5	CHEN YONGQUAN	10,012,483	B shares
6	CHEN LIJUAN	6,076,746	B shares
7	CHEN YONGQING	5,889,589	B shares
8	SHANGHAI INTERNATIONAL (HK) SECURITIES CO LTD	4,810,002	B shares
9	CSC SECURITIES (HK) LTD	4,528,179	B shares
10	TSAI SHUHUI	4,294,433	B shares
Explanation on associated relationship among the above-mentioned shareholders or acting-in-concert		The top three shareholders are the Company's corporate controlling shareholders. Shareholder Tsai Shuhui is the wife of Wu Tsann Kuen, the Company's actual controller. It is unknown to the Company whether there exists associated relationship among the shareholders above or they are acting-in-concert entities as stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.	

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

Name of shareholder	Legal representative	Date of incorporation	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

(V). Description of the actual controller

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



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

IV. Directors, Supervisors, Senior Executives and Employees

(I). Directors, Supervisors and Senior Executives

1. Basic information

Name	Title	Gender	Age	Beginning and ending dates of office term	Shares held at year-begin	Shares held at year-end	Reasons for change	Total payment received from the Company in the reporting period (RMB Ten thousand)	Equity incentive received in the reporting period	Whether receive payment from the shareholding companies or other related parties or not
Jian Derong	Chairman of the Board	Male	50	21 May 2011-20 May 2014	0	0		49.30	No	Yes
Zhuang Xing	Director	Male	57	21 May 2011-20 May 2014	0	0		3.60	No	Yes
Pan Zhirong	Director	Male	45	21 May 2011-20 May 2014	0	0		3.6	No	No
Chen Yanjun	Director	Male	50	21 May 2011-20 May 2014	0	0		3.60	No	Yes
Lu Jianxin	Independent director	Male	65	21 May 2011-20 May 2014	0	0		7.00	No	No
Tu Liandong	Independent director	Male	45	21 May 2011-20 May 2014	0	0		7.00	No	No
Ge Xiaoping	Independent director	Female	49	21 May 2011-20 May 2014	0	0		15.00	No	No
Luo Qingxing	Chairman of the Supervisory Committee	Male	57	21 May 2011-20 May 2014	0	0		12.31	No	No
Wei Xuezhong	Supervisor	Male	46	21 May 2011-20 May 2014	0	0		28.25	No	No
Tsai Shuren	Supervisor	Male	47	21 May 2011-20 May 2014	0	0		19.72	No	No
Pan Zhirong	General manager	Male	45	26 Jul. 2010-25 Jul. 2013	0	0		59.78	No	No
Sun Meimei	Secretary of the Board	Female	37	From 23 Apr. 2011	0	0		10.48	No	No
Chen Zongyi	Accounting Manager	Male	35	From 17 Jul. 2008	0	0		22.01	No	No
Total					0	0		241.65	0	0

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

Name	Name of shareholding company	Position in shareholding company	Office term	Drawing payment or subsidy from the shareholding company(Yes/No)
Jian Derong	Star Comgistic Capital Co.,Ltd.	Chairman of the Board	5 Mar. 2010-13 Feb. 2012	Yes
	Star Comgistic Capital Co.,Ltd.	Director	14 Feb. 2012-4 Mar. 2013	Yes
	FORDCHEE DEVELOPMENT LTD EUPA INDUSTRY CORPORATION LTD FILLMAN INVESTMENTS LTD	Director	Since 26 Feb. 2009	No
Zhuang Xing	STAR COMGISTIC CAPITAL CO., LTD.	Director	5 Mar. 2010-31 Jan. 2012	Yes
Chen Yanjun	STAR COMGISTIC CAPITAL CO., LTD.	Director	5 Mar. 2010-4 Mar. 2013	Yes
	Star Comgistic Capital Co.,Ltd.	General manager	Since 5 Mar. 2010	Yes
	FORDCHEE DEVELOPMENT LTD EUPA INDUSTRY CORPORATION LTD FILLMAN INVESTMENTS LTD	Director	Since 26 Feb. 2009	No

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

Name	Position	Main working experience and their posts in other enterprises except shareholding companies:		
Jian Derong	Chairman of the Board	2008.05.24-Now 2008.05.12-Now 2008.04.25-Now 2008.04.25-Now 2010.08.09-Now 2010.08.09-Now 2011.04.21-Now 2009.11.11-Now 2006.12.09-2008.05.23 2006.10-2006.12.08	TSANN KUEN (CHINA) ENTERPEISE CO.LTD. TSANN KUEN JAPAN CORPORATION Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. Shanghai Star Travel Commerce & Trade Co., Ltd. Brilliant Leader Co., Ltd. Globe Strong Co., Ltd. PT.TSANN KUEN ZHANGZHOU INDONESIA SINO GLOBAL DEVELOPMENT LIMITED TSANN KUEN (CHINA) ENTERPEISE CO.LTD. Tsann Kuen Zhangzhou Enterprise Co., Ltd.	Chairman of the Board CEO (Deputy GM) Chairman of the Board Chairman of the Board Director Director Chairman of the Board Director General Manager Deputy GM
Zhuang Xing	Director	2010.03.05-2012.01.31 2006.06- 2012.01.03 2009.04.20-2012.04.09 2003.05.-2006.06	Star Comgistic Capital Co.,Ltd TSANN KUEN (Taiwan) ENTERPRISE CO. LTD TSANN KUEN (Taiwan) ENTERPRISE CO. LTD TSANN KUEN (Taiwan) ENTERPRISE CO. LTD	Director Chairman of the Board Director Executive Director
Chen Yanjun	Director	2010.03.05-Now2010.03.05-2012.01.31 2008.01-Now 2005.05-2007.12	Star Comgistic Capital Co.,Ltd Star Comgistic Capital Co.,Ltd TSANN KUEN (Taiwan) ENTERPRISE CO. LTD/Group HOLA TSANN KUEN Group	GM Director Financial General Manager Vice Chairman of the Board, chief strategy officer
Pan Zhirong	GM of Board of Directors	2010.07.26-Now 2010.07.07-Now2008.10-2010.07.26 2006.02-2008.09 2003.08-2006.01	TSANN KUEN (CHINA) ENTERPEISE CO.LTD. TSANN KUEN (ZHANGZHOU) ENTERPEISE CO. LTD. TSANN KUEN (ZHANGZHOU) ENTERPEISE CO. LTD. TSANN KUEN (Taiwan) ENTERPRISE CO. LTD TSANN KUEN (Taiwan) ENTERPRISE CO. LTD	GM GM Deputy GM of Trade Department Assistant Manager of Research Institute Manager of Research Institute
Tu Liandong	Independent Director	2003.05-Now	Xiamen Power Investment Co., Ltd.	CFO
Lu Jianxin	Independent Director	2006.11- Now 2002.02-2006.10	The Listed Company Association of Xiamen Xiamen Securities Regulatory Bureau of CSRC	President Chief of the Bureau
Ge Xiaoping	Independent Director	2010.09-now 2007.03- 2010.09 2001.11-2007.03	BDO Certificated Public Accountants Ltd., Xiamen Branch Fujian Shu Lun Pan Mindu Certified Public Accountant Xiamen Andexin Certified Public Accountants	Head of Branch Deputy Director Accountant Chairman of the Board, director Accountant
Luo Qingxing	Supervisor	2011.05-Now 2003.01-2011.04	Thermaster Electronic (Xiamen) Ltd. TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Deputy GM Secretary of the Board
Wei Xuezhong	Supervisor	2012.01-Now 2007.03-2012.01	Star Comgistic Capital Co.,Ltd TSANN KUEN (ZHANGZHOU) ENTERPEISE CO. LTD.	Assistant manager of net profit and disciplinary center Assistant manager of HR Dept
Tsai Shuren	Supervisor	2007.09- Now 1999.09-2007.08	TSANN KUEN (CHINA) ENTERPEISE CO.LTD. TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Assistant Manager of R&D Dept. Manager of R&D Dept.
Sun Meimei	Secretary of the Board	2011.04- Now 2005.07-2011.04	TSANN KUEN (CHINA) ENTERPEISE CO.LTD. TSANN KUEN (CHINA) ENTERPEISE CO.LTD.	Secretary of the Board Securities Affairs Representative
Chen Zongyi	Accounting Manager	2008.10-Now 2008.03-2008.09 2007.11-2008.02 2006.09-2007.08	TSANN KUEN (CHINA) ENTERPEISE CO.LTD. TSANN KUEN (CHINA) ENTERPEISE CO.LTD. AURORA Taiwan TSANN KUEN (Taiwan) ENTERPRISE CO. LTD	Manager of Accounting Dept. Deputy Manager of Accounting Dept. Accounting Officer Accounting Section Chief

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

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

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

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

Unit: RMB'0000

Name	Position	Total annual remuneration
Jian Derong	Chairman of the Board	49.30
Zhuang Xing	Director	3.60
Chen Yanjun	Director	3.60
Pan Zhirong	GM of Board of Directors	63.38
Tu Liandong	Independent Director	7.00
Lu Jianxin	Independent Director	7.00
Ge Xiaoping	Independent Director	15.00
Luo Qingxing	Supervisor	12.31
Wei Xuezhong	Supervisor	28.25
Tsai Shuren	Supervisor	19.72
Sun Meimei	Secretary of the Board	10.48
Chen Zongyi	Accounting Manager	22.01
Total		241.65
Remuneration for Independent Director	Travel charge, traffic fee and telecommunication for/during the Session was paid according to the Company's regulations	
Directors or Supervisors who did not draw the remuneration and subsidy from the Company	Lu Jianxin, an independent director of the Company, submitted a written report without drawing salary to the Board of Directors on 16 Feb. 2009, in which he expressed that he continued to fulfill his duties as before, namely, he did not draw remuneration for independent director during the period of he occupying independent director since 16 Feb. 2009, only reimbursed fees for work. For details, please refer to the Public Notice on Independent Director Lu Jianxin Not Drawing Remuneration for Director disclosed on 17 Feb. 2009. On 21 May 2011, re-election of the Board of Directors was approved by the Annual Shareholders' General Meeting, of which Mr. Lu Jianxing was elected to withhold his post of independent director and started to draw payment in accordance with remuneration approved by the Shareholders' General Meeting.	

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

04. Changes of directors, supervisors and senior executives

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 disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn 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, Zhuang Xing, Chen Yanjun, Pan Zhirong, Lu Jianxin (independent director), Tu Liandong (independent director) and Ge Xiaoping (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, Wei Xuezhong and Tsai Shuren were engaged as the supervisors for the 7th Supervisory Committee. For details, please refer to the Public Notice on Resolutions Made at the First Special Shareholders' General Meeting for Y2011 disclosed on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn dated 24 May 2011.

(II) Introduction of employees

Education	Number of person	Classification of person	Number of person
Doctor	1	Sales personnel	285
Master	8	Financial personnel	127
Bachelor	411	Technicians	779
College	491	Administrators	1,091
Below college	4,389	Workers	3,018
Total	5,300	Total	5,300

V. Corporate governance structure

(I) Corporate governance

During the reporting period, the Company standardize its operations strictly in accordance with requirements of relevant law and rules of Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Rules for Listing Shares at Shenzhen Stock Exchange and so on, and endlessly amplified and perfected administration structure and corporate system of the Company as well as established relatively accomplished corporate governance structure. According to relevant regulations of CSRC, the Company completed the establishment of

Accountability System for Material Error in Annual Report Information Disclosure, and strictly in line with relevant regulations in the process of disclosing this annual report. Currently, the situation of corporate governance structure basically accorded with regulations stipulated in regulatory documents on governance of listed companies reported by CSRC. As for problems pointed out by Xiamen CSRC on site-inspection has been rectified and improved with requirements. For details, please refer to Rectification and Improvement Report Concerning Site-inspection by Xiamen CSRC released by the Company dated 29 Feb. 2012. There were no governance problems remained unsolved. The governance of the Company is as follows:

1. Shareholders and Shareholders' General Meeting

The Company convened Shareholders' General Meeting in line with Articles of Association of the Company and Rules of Procedures for Shareholders' General Meeting, treated all shareholders with equity, guaranteed middle and small shareholders enjoy equal status and ensured all shareholders be able to exercise their rights. As for limitations such as insufficient of minutes etc. pointed out by Xiamen CSRC on site-inspection, the Company has rectified and improved with requirements and would continued to conduct standardized operation strictly.

2. Controlling shareholders and the Company

Controlling shareholders strictly in accordance with requirements to exercise rights of promoters and assumed responsibilities. The Company realized independence between controlling shareholder and listed companies in business, assets, agencies and finance; and independent operation between the Board of Directors of the Company, the Supervisory Board and internal agency which ensured independence in accounting, assuming responsibility and bearing risks. As for problem of insufficient independence pointed out by Xiamen CSRC on site-inspection, the Company has made rectification and improvement with requirements and the Shareholders' General Meeting, the Board of Directors, the Supervisory Board, and senior management performed relevant responsibilities so as to ensure legal rights and interests of investors.

3. Directors and the Board of Directors

The Company strictly in accordance with election procedure of directors in Articles of Association of the Company to elect directors that the number of directors and the structure of the Board of Directors were in line with requirements of laws and regulations. The Board of Directors earnestly executed Rules of Procedure for the Board of Directors so as to guaranteed efficient operation and scientific strategic decision. All directors of the Company performed their responsibilities honestly, sincerely and assiduously, presented the Board of Directors, the Shareholders' General Meeting seriously, and participated relevant trains actively. As for problem that the minutes of the Board was not signed by directors presented the Board meeting pointed out by Xiamen CSRC on site-inspection, the Company has strictly carried out the signatures and affirmation of minutes by directors presented

the Board meeting since the 3rd Board of Directors for 2011 convened on 21 May 2011.

4. Supervisors and the Supervisory Board

The Supervisory Board of the Company strictly in line with relevant provisions of Company Law and the Articles of Association of the Company that the number of supervisors and the structure of the Supervisory Board were in accordance with requirements of laws and regulations. All supervisors exercised the Rules of Procedure for the Supervisory Board, earnestly performed their responsibilities. In light of the responsibility for shareholders, all supervisors conducted inspection and supervision to the legitimacy corporate finance of the Company and other significant decisions, legally performed responsibilities to directors of the Company and senior management and supervised the implement of resolutions of the Board of Directors and Shareholders' General Meeting. As for problem that the Supervisory Board didn't distribute meeting notice independently pointed out by Xiamen CSRC on site-inspection, the Company has released meeting notice independently with requirements.

5. Information disclosure and transparency

The Company strictly in accordance with requirements of relevant provisions and regulatory documents such as Rules for Listing Shares at Shenzhen Stock Exchange, Guidelines on Fair Information Disclosure of Listed Companies, performed responsibilities of information disclosure of the Company truthfully, accurately, timely and completely, and then guaranteed the equal opportunity of all shareholders of the Company to gain relevant information of the Company. As for the problem that senior management released by the Company was against the actual situation pointed out by Xiamen CSRC on site-inspection, the Company has made re-definition, perfected corporate governance structure so as to ensure the balance of responsibilities and duties of senior management and ensure the independence of personnel and accuracy of information disclosure.

6. There isn't any problems on horizontal competition and related transactions that arising from partial restructures and other issues of the Company.

In the reporting period, the Company continuing and strictly in accordance with Company Law, Securities Law, Basic Standards for Enterprise Internal Control, Supporting Guidelines for Corporate Internal Control as well as requirements of regulated documents of corporate governance for listed companies published by CSRC, endlessly accomplished corporate governance structure, actively enforced corporate governance work, and gradually perfected corporate governance and internal control system, intensified supervision of internal control, promoted operation efficiency, operation regulation and corporate governance level, endeavor to seek optimized profit and earnestly protected legal profit of minority shareholders.

(II) Performance of Independent Directors

In the reporting period, the Company has established and perfected relevant working system for Independent Directors in line with the requirements, including *Working System for Independent*

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

1. Particulars about independent directors attending the Board meeting:

Name	Times of meetings should be attended	Times of attendance in person	Times of commission attendance	Times of absence
Xu Rentang	5	5	0	0
Lu Jianxin	7	7	0	0
Ge Xiaoping	7	7	0	0

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

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

1. In aspect of business:

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

2. In aspect of personnel:

01. The Company was absolutely independent in labor, personnel and salary management. The

Company's office place and production & operation place was separated from the controlling shareholder without mix operation or handling official affairs jointly.

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

3. In aspect of assets:

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

4. In respect of financing:

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

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

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

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

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

In order to further advance standardization of the corporate governance and enhance the Company's operation level, in the light of regulations of laws and rules such as Company Law, Securities Law, Code of Corporate Governance for Listed Companies, Basic Standards for Enterprise's Internal Control, Supportive Guideline for Enterprise's Internal Control in China, and other laws or rules promulgated by CSRC and Shenzhen Stock Exchange, the Company formulated or amended a series of the rules and regulations in succession, such as the Articles of Association of the Company, Rules of Procedure for the Shareholders' General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Measures for Investor Relations Management, Information Disclosure Management, Accountability System for Material Error in Annual Report Information Disclosure, Management System for Inside Information and Insider, built up a relatively excellent, complete and effective internal control system, and the above rules and regulations was effectively implemented after their promulgations, which played an important role of supervision,

control and guide in the Company's operating management.

In the meanwhile, according to auditing results regularly or irregularly conducted by internal auditing department and issued auditing reports, the overall operation of the Company was running well that there was no significant flaws in the reporting period. Explanation for the implement of internal control system of the Company during the reporting period is as follows:

1. Accounting system of the Company

Accounting system of the Company was implemented in line with all rules of Accounting Law of the People's Republic of China, Enterprises Accounting Standard, Standards for Enterprises Internal Control and the actual situation of the Company to draft series of accounting system and financial management system. They contains accounting and management in respect of monetary fund, sales and collection, purchasing and payment, cost and expense, stock, fix assets and construction project, intangible assets, guarantee and external investment, budget etc.; and clearly set up working procedure of accounting documents, accounting books and accounting reports. All accounting management system involves the whole process, each aspects and each sectors of corporate operation management that provides a solid lawful foundation for accounting activities of the Company and ensures the faculty and validity of accounting activities of the Company.

The Company and subsidies has set up independent accounting unions and clearly define post, job and responsibility in aspect of financial management and accounting that each post would cooperated, mutual supervised and indifferent in approval, execution and record.

The Company clearly carried out Standards for Enterprises Internal Control issued by Ministry of Finance in Feb. 2006 and made concrete regulations on fiscal year, accounting currency, accounting basis, accounting principles, accounting method for foreign currency denominated business, define standard of cash equivalents, accounting method of bad debts, accounting method of stock, accounting method of long-term and short-term investment, valuation and depreciation method of fixed asset, accounting method of construction in progress, valuation and amortization method of intangible asset, amortization method of opening-up expense and long-term deferred expense, accounting treatment of borrowing cost, affirm rules of income, accounting treatment of income tax, etc.. The above mentioned accounting policies were efficiently executed through the Company.

2. Internal control system of internal financial accounting

(1) In respect of corporate governance

According to relevant laws and regulations of Company Law, Code of Corporate Governance for Listed Companies, Guidelines of Internal Control for Listed Companies and so on, the Company successively implemented and revised Articles of Association, implemented and perfected Rules of

Procedure for Shareholders' Meeting, Working Rules for the Board Meeting, Working Rules for Supervisory Meeting, established Working System for Independent Directors etc., and formed relatively completed corporate framework documents that was already effectively conducted in operation of the Company.

(2) Control system of internal financial accounting

For purpose of reinforced internal control and management of each financial accounting of the Company, the Company successively set up Management System of Information Disclosure Issues, Standards for Behaviors of Management of Investors' Relationships, Management Method on Investors' Relationships, Reporting System and Review and Approval Procedure of Significant Events, Management Method on Financing Capital, Management Method on Financial Report, Management Method on Information (Internal and External) Broadcasting, Management Method on Related-party Transactions, Management Method on Budget Operations, Management Method on Acquisition and Disposal of Assets, Management Method on Fixed Assets, Management Method on Material Investment, Management Method on Endorsement and Guarantee Operations, Management Method on Notes, Management Method on Seal, Management Method on Authorization of Positions, Management Method of Deputy, Management Rules on Self-examination of Internal Control, Rules for Operations of Internal Auditing, Management Rules on Holding Subsidiaries and so on, established a comparatively perfected, accomplished and valid internal control system of financial accounting.

The above mentioned management rules and internal systems defined each working procedure of accounting activities, ensured the validity and accuracy of all accounting activities that they truly reflected the financial situation of the Company.

3. Problems and revise plan

During the reporting period, in respect of internal control of financial accounting, there was no significant flaw, problem or abnormal event in the Company. As for site-inspection by Xiamen CSRC and problem of irregularity on internal control system of related-party transactions, the Company has proposed objective and practical rectifying and improving measurements according to requirements. After that, the Company would continued to carry out operation process and review and approval procedure strictly. For details please refer to Rectification and Improvement Report Concerning Site-inspection by Xiamen CSRC released by the Company dated 29 Feb. 2012.

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

The auditing department is in charge of internal self-inspection and self-correcting campaign, and reflected oversight of internal control to relevant departments in time and made track till completion

of perfection. Furthermore, the auditing department made an initial annual auditing plan to launch audit work for performance of internal control system in line with risk appraisal, and the scope of audit work covers the inspects such as sales, procurement, production, R&D, finance, information and etc. so as to meet the overall requirements of Company's internal control. During the report period, the auditing department totally issued 76 regular audit reports and 18 project audit reports required by directors, supervisors and senior management staffs, and regularly stated the audit report on the implement of Company's internal control to directors, attended supervisors and senior management staffs; Meanwhile, the auditing department adopted quantification assessment scoring system for auditing items, and scoring result was linked together performance appraisal of each department and relevant leaders, so as to achieve internal supervision.

In respect of the problem of “insufficient internal audit program, and part of internal auditing report for Y2010 didn't complete track report of proceedings”, the Company has made rectification and improvement. In Jul. 2011, after Xiamen CSRC conducted site-inspection and pointed out problem issues, the auditing department re-arranged internal audit plan from August to December of 2011, and submitted to Audit Committee for examine and approve as well as reported to the Board of Directors for record. The new plan added 31 audit reports and increased check on number of reports. As for arrangement of audit plan for Y2012, the Company aimed at once check for all cycle and shall enforced communication with accountants.

Besides, the Company has effectively examined and assessed the Company' internal control according to the Basic Standards of Enterprise's Internal Control and The Guideline of Internal Control for Listed Companies promulgated by Shenzhen Stock Exchange, and issued Self-appraisal Report on the Internal Control of the Company for Y2011, for details please refer to the Self-appraisal Report on the Internal Control of the Company for Y2011 published on www.cninfo.com.cn at the same time.

The Supervisory Board of the Company has reviewed the Self-appraisal Report on the Internal Control of the Company for Y2011 and has no objections on this report issued by the Board of Directors; and issued their opinions on this Self-appraisal Report on the Internal Control of the Company for Y2011 as follows:

(1) In accordance with the relevant rules and laws stipulated by CSRC and Shenzhen Stock Exchange as well as the Company, the company perfected its internal control system which covers the overall operating process, so as to insure that every segment of work has the related rules and laws to follow, and further form the standardized management system. And the current Internal Control System of the Company can insure the normal operating activities of the Company.

(2) The Company has set up and perfected the Corporate Governance Institution and Internal Organization Institution in accordance with the requirement of the Modern Management of Enterprise, forming the decision mechanism, executive mechanism and supervisory mechanism for key activities of Company's Internal Control, so as to insure the normal operation of various kinds of business activities.

(3) During the reporting period, there was no violations against the Guideline of Internal Control for Listed Companies promulgated by Shenzhen Stock Exchange and the Internal Control System of the Company.

(4) The self-appraisals truly and completely reflects the set-up, perfection and its current status, which meet the need of Company's Internal Control, and the overall appraisal on the Company's internal control is objective and accurate.

Therefore, the Supervisory Board believes that the Self-appraisal Report on the Internal Control of the Company for Y2011 reflects the actual situation of the Company's internal control comprehensively and objectively and discloses the deficiencies, meanwhile put forward the related rectification plan, we conform this report.

The independent directors of the Company conscientiously reviewed the Self-appraisal Report on the Internal Control of the Company for Y2011 put forward by the Board of Directors, and communicated with Company's management department and other related department, and also referred to the Company's management system, and issued their opinions based on the objective judgment as follows:

(1) The Company's internal control is in accordance with the related rules and laws of the nation and other securities regulatory departments, and also meets the actual needs of production and operation.

(2) The key activities of the Company's internal control were all carried out in accordance with the stipulations of Company's Internal Control System, the internal control on the aspects such as associated transaction, external guarantees, use of raised funds, significant investment and disclosure were all vigorous, complete and effective, which insure the normal running of the Company.

(3) Self-appraisal Report on the Internal Control of the Company for Y2011 objectively reflects the actual situation of the Company's internal control, the summary of the internal control is comprehensive and the goals for strengthening the internal control is clear.

(4) Self-appraisal Report on the Internal Control of the Company for Y2011 is in accordance with the actual situation of Company's internal control.

Statement produced by the Board of Directors concerning responsibility of internal control:

In respect of internal control, the Board of Directors of the Company proposed the following statement and responsible for the faculty and integrity of the statement:

During the reporting period, internal control activities and internal control systems of the Company was in line with the state's relevant laws, regulations and requirements supervisory departments that ensured the normal operation and management of the Company. Internal system activities of the Company included all aspects of operation and management that controlled internal and external risk of the Company in an effective way, ensured normal conduction of standardized

operation and business activities, protected safety and integrity of assets. Meanwhile, the Company will continued to perfect construction of internal control system and insured efficient execution of internal control system.

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

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

VI. Brief for Shareholders' General Meeting

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

(I) Annual Shareholders' General Meeting

1. The Annual Shareholders' General Meeting 2010 of the Company was held on 21 May 2011;
2. Resolutions made at the Shareholders' General Meeting were published in Securities Times and Hong Kong Ta Kung Pao on 24 May 2010.

(II) The 1st Special Shareholders' General Meeting for Y2011

1. The 1st Special Shareholders' General Meeting for Y2011 was held on 6 Sep. 2011;
2. Resolutions made at the Shareholders' General Meeting were published in Securities Times and Hong Kong Ta Kung Pao on 7 Sep. 2011.

VII. Report of the Board of Directors

(I) Business review for the reporting period

For the reporting period, the Company achieved operating revenue of RMB 2.914 billion, down 12.60% from RMB 3.334 billion of last year; net profit of RMB 0.01 billion, down 84.84% from RMB 0.064 billion of last year; and a debt ratio improved from 57.76% at the end of 2010 to 56.66% at the end of 2011. The YoY decrease in both operating revenue and net profit was mainly due to external unfavorable factors such as the European debt crisis, sharp fluctuations of raw material prices and Renminbi appreciation, as well as the fact that the deferred income tax assets deducted for loss were due and restated as income tax expenses according to relevant regulations in the reporting

period.

According to the strategic goals set—focusing on main business, improving operational management and expanding emerging market, 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”, rapidly create leading advantages in areas from R&D to the marketing system, and enhance the supporting supply chain management, 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, beef up LED and green products, proactively expand domestic sales and sales in emerging countries, and stabilize and develop our long-term cooperation relationship with customers so as to achieve stable development on all business lines of the Company.

1. Main businesses classified according to industries and products

A. Main businesses classified according to industries

Unit: RMB Ten thousand

Industry	Product	Main business income	Main business profit
Manufacturing small home appliances	Home assistant	102,926.88	11,003.07
	Gourmet cooking	138,409.34	15,015.56
	Tea/coffee	31,068.15	4,141.95
	Others	8,202.26	960.29
	Subtotal	280,606.61	31,120.86
Tourism	Tourism	1,756.51	181.31
Total		282,363.13	31,302.17

B. Classified according to areas

Unit: RMB Ten thousand

Area	Main business income	Main business profit
Australia	16,540.88	1,688.51
Africa	2,124.56	432.07
America	124,520.99	11,052.72
Europe	49,875.76	5,100.54
Asia	89,300.93	13,028.32
Total	282,363.13	31,302.17

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

Unit: RMB Ten thousand

Product	Proportion	Main business income	Cost of sales	Gross profit ratio
Home assistant	36.45%	102,926.88	91,923.81	10.69%
Gourmet cooking	49.02%	138,409.34	123,393.77	10.85%
Tea/coffee	11.00%	31,068.15	26,926.20	13.33%
Others	2.90%	8,202.26	7,241.97	11.71%
Tourism	0.62%	1,756.51	1,575.20	10.32%
Total	100.00%	282,363.13	251,060.96	11.09%

2. Chief customers and suppliers

01. The purchase from the top five suppliers totaled RMB 286,471,700, taking up 14.74% of the Company's total purchase in the year.

02. The sales to the top five customers totaled RMB 1,420,835,400, taking up 48.75% of the Company's total sales.

3. Compared with last year, material movements appeared in asset and expense breakdown for the reporting period.

Unit: RMB Yuan

Item	Closing amount	Opening amount	+(-) %	Main reasons for movement
Transactional financial assets	4,636,053.22	2,301,579.95	101%	Increase of unsettled forward exchange contracts
Notes receivable	2,979,552.00	4,304,903.10	-31%	Mature notes receivable were settled.
Other receivables	36,134,933.46	60,422,920.42	-40%	Tax refunds receivable at the period-begin were settled.
Long-term receivables	49,751,452.73	71,186,747.74	-30%	Fewer fixed assets were sold to supporting plants and mature long-term receivables were settled.
Investment real estate	65,585,318.46	29,344,230.78	124%	The Company put some of its plants and land for operating lease, and the relevant fixed assets and intangible assets were restated as investment real estate.
Construction in progress	6,821,449.43	2,842,516.56	140%	The Tsann Kuen Indonesia power supply project (new and unfinished)
Intangible assets	3,514,775.75	25,021,404.35	-86%	Land use rights were restated as investment real estate.
Goodwill	0.00	2,496,979.09	-100%	The relevant goodwill was transferred out when the Company disposed some long-term equity investments in subsidiaries in the reporting period and a full-amount impairment provision was made for the goodwill.
Deferred income tax assets	16,993,745.49	28,379,559.09	-40%	The deferred income tax assets deducted for loss were due and restated as income tax expenses according to relevant regulations in the reporting period.
Notes payable	44,434,948.83	77,161,578.38	-42%	Mature notes payable were settled.
Taxes and fares payable	(11,309,225.00)	48,362,325.48	-123%	Input taxes that were confirmed but export rebates were not yet received increased, resulting in decrease in VAT payable at the period-end.

Item	Accumulative amount in 2011	Accumulative amount in 2010	+(-) %	Main reasons for movement
Business tax and surtaxes	18,147,987.40	4,832,129.40	276%	The privilege about the city maintenance tax and the educational surcharge for foreign-invested enterprises was canceled. Therefore, the Company had to pay more of the said tax and fare in the reporting period.
Asset impairment loss	14,488,754.47	3,266,483.24	344%	Inventory falling price reserve and goodwill impairment reserve increased.
Gain on fair value changes	2,334,473.27	712,918.57	227%	Forward exchange contracts unsettled at the period-end rose in value.
Investment income	24,207,413.20	(2,722,484.46)	989%	Investment income from settled forward exchange contracts in the reporting period
Non-operating expense	1,321,709.77	4,418,494.62	-70%	Less loss on fixed asset disposal
Income tax expense	12,002,208.41	4,318,628.58	178%	Deferred income tax assets were restated as income tax expense.

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

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

A. Business Nature: manufacturing

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

C. Registered Capital: USD 40,000,000

D. Assets Scale: RMB 94,170,000

E. Net Assets: RMB 93,430,000

F. Net Profit: RMB -4,200,000

02. Tsann Kuen Zhangzhou Enterprise Co., Ltd.

A. Business Nature: Manufacturing

B. Business Scope: Development, production and sale of new kind of electronic appliances and parts (such as electrical kits, sensors and sensitive transmitters), light industrial products, modern office supplies, communication materials, digital products, bodies of car, fitness equipment, medical equipment (not including B Ultrasonic equipment) (not including pre-approved license items), playground equipment(not including special equipment), electronic musical instrument, various lamps and lighting equipment as well as other mechanical and electrical equipment; designing and producing the molds related to the above products. Processing and manufacturing nonferrous metal

composed materials, new-typed alloy materials, marketing self-made products and semi-manufactured products, processing supplied materials and processing with supplied materials or given samples & assembling supplied components. (Excluding those products restricted by the government or those whose import or export quota is under license administration.); Wholesale of various kinds of food products such as coffee, rice balls and dough and etc.; Wholesale of various kinds of small house appliance and their aftersales services and technical support services (Excluding those products whose international trade, import or export quota, export quota bids and export license are under license administration)(When involved in those projects which need to be examined and approved first, the company carries out its operation and production only within the range and within the valid period set in the license.)

C. Registered Capital: USD 160,000,000

D. Assets Scale: RMB2,336,480,000

E. Net Assets: RMB 1,275,660,000

F. Net Profit: RMB29,840,000

G. The influence of net profit exceeded 10%:

Main business income: RMB 2,770,080,000

Main business Cost: RMB 2,471,030,000

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; Processing and manufacturing nonferrous metal composed materials, new-typed alloy materials, marketing self-made products and semi-manufactured products, (Excluding those products restricted by the government or those whose import or export quota is under license administration.) Wholesale of electrical equipment, chemical products (not including dangerous products), hardware sheets, metal materials, packaging materials and household appliances. (Excluding those products whose international trade, import or export quota, export quota bids and export license are under license administration); agent business (except public auction)(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: RMB 5,000,000

D. Assets Scale: RMB 14,750,000

E. Net Assets: RMB 11,070,000

F. Net Profit: RMB 144,200

04. Tsann Kuen (Zhangzhou) Vocational Technical Institute

A. Business Nature: Education and training

- B. Business Scope: Secondary vocational education
- C. Registered Capital: RMB 3,000,000
- D. Assets Scale: RMB 5,430,000
- E. Net Assets: RMB 2,000,000
- F. Net Profit: RMB 540,000

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

- A. Business Nature: Sales of household electrical appliances
- B. Business Scope: Import & Export, Wholesales, retail and its after-sale services of household appliances, computer sets and their components, communication equipments, mechanical and electrical 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. Assets Scale: RMB 22,270,000
- E. Net Assets: RMB 6,000,000
- F. Net Profit: RMB 1,920,000

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

- A. Business Nature: Tourism
- B. Business Scope: 1. Inbound and domestic tourism services; 2. Agent for personal accident insurance (Where an administrative license is required, such a license will be obtained before operation.)
- C. Registered Capital: RMB 5,000,000
- D. Assets Scale: RMB 2,540,000
- E. Net Assets: RMB -3,290,000
- F. Net Profit: RMB -2,460,000

07. Xiamen Star Travel Commerce & Trade 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 30,000,000

- D. Assets Scale: RMB 29,170,000
- E. Net Assets: RMB 29,270,000
- F. Net Profit: RMB 200,000

08. Xiamen Star Travel 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. Assets Scale: RMB 27,990,000
- E. Net Assets: RMB 27,980,000
- F. Net Profit: RMB 700

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. Assets Scale: RMB 8,000,000
- E. Net Assets: RMB 22,100.000
- F. Net Profit: RMB -21,100.000

10. Star Travel (Dalian) International Travel Service 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. Assets Scale: RMB 5,130,000
- E. Net Assets: RMB -150,000
- F. Net Profit: RMB -1,210,000

11. Xiamen Star Travel Airlines Service Co., Ltd.

- A. Business Nature: Ticket agent
- B. Business Scope: Ticket agent service (in passenger transportation of civil aviation for domestic routes, excluding HK, Macau and Taiwan routes).
- C. Registered Capital: RMB 1,500,000
- D. Assets Scale: RMB 2,620,000
- E. Net Assets: RMB 1,110,000
- F. Net Profit: RMB -40,000

12. Brilliant Leader Co., Ltd.

- A. Business Nature: Comprehension
- B. Business Scope: Trade, purchasing agent, R&D of small household appliances, investment and market research, etc..
- C. Registered Capital: USD 4,950,000
- D. Assets Scale: RMB 31,300,000
- E. Net Assets: RMB 29,630,000
- F. Net Profit: RMB -1,200,000

13. Globe Strong Co., Ltd.

- A. Business Nature: Comprehension
- B. Business Scope: Trade, purchasing agent, R&D of small household appliances, investment and market research, etc..
- C. Registered Capital: USD 50,000
- D. Assets Scale: RMB 300,000
- E. Net Assets: RMB 300,000
- F. Net Profit: RMB -10,000

14. PT.TSANN KUEN ZHANGZHOU INDONESIA

- A. Business Nature: Manufacturing
- B. Business Scope: Manufacturing of small household appliances
- C. Registered Capital: USD 5,000,000
- D. Assets Scale: RMB 30,310,000
- E. Net Assets: RMB 23,400,000
- F. Net Profit: RMB -2,190,000

(II) Outlook for the Company

The Company has been working towards the sustainable development of its main business—home appliance manufacturing, and has been following the main guideline—“to build a world-class life industry with designing and integration as its core”. In face of an adverse external economic

environment in 2011, the Company set up an Indonesian plant to increase its competitiveness over manufacturing cost. Meanwhile, it increased its input for designing healthy, energy-saving, green, fresh-keeping and anti-microbial products, showing its attention on green, innovative products. It also continued to input resources to work on sustainable development for the purpose of injecting new power for its continuous growth.

In 2012, the Company will expand and create markets through strategies as follows:

1. To expand the Chinese market

The marketing strategy for the Chinese market has been revised to reinforce the combined effect of product groups and brand integration. The Company will focus on planning and marketing for coffee, home assistant and green, energy-saving brands. And it is well positioned to make 2012 the first year for the great promotion of its brands in the Chinese market.

2. To work on green products and lead innovations

Keeping green products and a global innovative platform in mind, the Company will reposition its design team and increase its resource input for design. Meanwhile, it will continue to improve healthy tea bag series and bread flour capsule series developed upon innovations with the capsule structure of coffee capsule machines. It will also continue to integrate cross-border designs, make innovations over its marketing mode and brand concept, and try to boost, with innovations, its transformation, as well as its new business, new fields, home assistants and digital lighting products.

3. To set up overseas manufacturing bases to increase competitiveness over manufacturing, the main business of the Company

As the Indonesian plant was set up and went through trial production in 2011, some preliminary results have come out. Due to the European debt crisis, the global economic growth is still weak. However, along with the growth of emerging economies and the rise of economies around South East Asia, the Company will, with the competitive manufacturing cost attributable to the overseas production base, beef up integration of the supply chain and expansion of Asian markets in 2012.

(III) Development trends in the industry and market perspectives

The world today is one dominated by more and more wireless, IT and intelligent products. The popularity of intelligent home appliances also boosts more intelligent, healthy and fashionable small household appliances that combine humanities and technology. The Company will continue to integrate cross-border designs, make innovations over its marketing mode and brand concept, and expand its LED business. The following factors need to be noticed in the 2012 market environment:

1. Despite a slow recovery of global economy, the domestic market will remain active. China's home appliance industry has entered a period where top brands win. Different from traditional home appliances, small home appliances are still active in terms of domestic sale. Along with

transformation of the way of spending, launch and popularity of more new products and upgrading of traditional products, domestic demand for small home appliances is expected to rise sharply. China's small home appliance industry shows great promise for the future, and the coming few years are expected to be a development peak for the industry.

2. Considering the rising European sovereign debt risk, the weak recovery of global economy, the global inflation pressure that cannot ease in the short run, and more and more non-economic obstacles from western countries towards China's trade, it is undoubted that China will encounter a more complex environment and more serious conflicts in its foreign trade in 2012.

3. Keeping a 15% growth rate, 2012 may be the year recording the slowest growth ever in China's foreign trade. To deal with that, the Company will beef up structure adjustment and transformation, as well as the building of overseas manufacturing bases.

Ever since 2008 when the global financial crisis broke out, China has been leading the world in economic recovery. As the common-people economy starts to take shape, low-priced and good-quality products are more and more popular in developing countries. Enterprises are fighting for orders from those regions with their products featuring low prices and good quality. Meanwhile, high-priced products are promoted through added value. Since Aug. 2011, affected by the weak recovery of global economy, fluctuations of exchange rates, domestic macro-control and other factors, China's export is under the pressure of rising comprehensive costs. In order to deal with that, the Company will beef up building of overseas manufacturing bases.

4. Intelligent and green small household appliances will enter mass production.

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

(IV) Plan for capital expenditure

According to its development strategy planning, the Company will input more in high-tech products such as new energy, high-efficiency and environment-protecting household appliances, as well as in expansion of the Indonesian plant. And capital above RMB 35 million is expected to be needed in the year 2012 for the production capacity expansion in the aforesaid fields.

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

1. International risk

Considering the weak recovery of global economy and three major western economies being trapped in debt crisis, it is not easy for China to give such a performance in its foreign trade. Since

Aug. 2011, affected by the weak recovery of global economy, fluctuations of exchange rates, domestic macro-control and other factors, China's export growth has dropped month by month. It indicates a weakening global demand, as well as the pressure of rising comprehensive costs on China's export.

Considering the rising European sovereign debt risk, the weak recovery of global economy, the global inflation pressure that cannot ease in the short run, and more and more non-economic obstacles from western countries towards China's trade, it is undoubted that China will encounter a more complex environment and more serious conflicts in its foreign trade in 2012.

2. Domestic risk

As stated in the Outline for 12th Five-year Plan for National Economic and Social Development, China will adjust its economic system through domestic demand expansion, which will lead to a fiercer competition within the country. Along with the domestic industrial development, China's household appliance industry is currently in an important integration period. Only big enterprises which have solid financial strength and can act as a leader in product innovations can win and become integrators in the sector while small makers will encounter severe challenges.

The new government policies are helpful to the future development of the small home appliance industry by encouraging adjustment of economic structures, energy saving & emission reduction, environmental protection and independent innovations. Meanwhile, the new credit policy and governmental financial support will favor SMEs and private capital will flow to the real economy of household appliances. All these are expected to bring good news to small home appliance makers by solving operating problems such as difficult financing, high financing cost, heavy tax burden, a too low leverage rate, etc.

3. Risk concerning exchange rate fluctuation

The Company's business focuses on export and is thus susceptible to exchange rate fluctuations. In order to deal with the unfavorable impact from the Chinese currency appreciation, the Company will take measures mainly including preventing exchange rate risk by using financial instruments, carefully considering the exchange rate effect when taking orders in and transferring the risk.

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

The Company is shifting from a vertical integrated management mode to a decentralized mode and service outsourcing, which has brought down the number of its employees. Meanwhile, the Company expands overseas business by setting up a plant in Indonesia, which enables it to make use of the abundant local labor resource. In order to deal with higher labor cost and shortage of labor force, the Company will focus on the following:

- 1) The Indonesian plant newly set up needs labor force.
- 2) Considering rising labor cost in China Mainland and appreciation of Renminbi, the Company may reduce its staff number. At the same time, it will improve welfare for the whole staff and re-decide their salaries.

3) The Company needs to prepare some marketing personnel for its proactive move to expand domestic markets.

(VI) Investment of the Company

1. Use of the raised funds in the reporting period

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

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

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

(VII) Routine work of the Board of Directors

(I) Board meetings in the reporting period and resolutions made at the meetings

1. The 1st Board Meeting in 2011 was convened on 5 Mar. 2011, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 8 Mar. 2011.

2. The 2nd Board Meeting in 2011 was convened on 23 Apr. 2011, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 26 Apr. 2011.

3. The 3rd Board Meeting in 2011 was convened on 21 May 2011, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 24 May 2011.

4. The 4th Board Meeting in 2011 was convened on 13 Aug. 2011, at which examined and approved the Semi-annual Report 2011 and its Summary.

5. The 5th Board Meeting in 2011 was convened on 22 Oct. 2011, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 25 Oct. 2011.

6. The 6th Board Meeting in 2011 was convened on 10 Dec. 2011, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 13 Dec. 2011.

7. The 1st Special Board Meeting in 2011 was convened on 22 Dec. 2011, and the resolutions made were disclosed on Securities Times and Hong Kong Ta Kung Pao dated 24 Dec. 2011.

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

1. The Company gained a profit in 2010, which was used to make up for the loss of the previous years. Therefore, the Company did not conduct profit distribution in the year. And there was no event of share allotment or new share offering in the reporting period.

2. Making up losses

On 21 May 2011, the Company convened the 2010 Shareholders' General Meeting, at which the Pre-plan for Profit Allotment in 2010 promoted on the 1st Board Meeting for Y2011 was examined and approved, deciding the profits were used to cover the loss of the previous years. And the execution of the loss recovery plan has been accomplished according to the resolutions made at the Shareholders' General Meeting.

(III). Report on the performance of the Audit Committee under the Board of Directors

Since the Audit Committee under the Board of Directors was set up on 24 May 2008, the Company, according to relevant regulations, quickly formulated related rules for the Committee such as the Specific Implementation Rules for Audit Committee and the Rules for Audit Committee on Annual Reports, which specified the duties of the Audit Committee; According to the relevant rules, the Audit Committee took an active part in and supervised the financial activities, the internal inspection of the Company, and audited the periodical reports, etc.. And the performance of the Audit Committee in 2011 was detailed as follows:

1. The 1st Session of the Audit Committee in 2011 was convened on 5 Mar. 2011, at which the following proposals were reviewed and approved:

Proposal No.1: Self-evaluation Report on Internal Control 2010

Proposal No.2: 2010 Annual Report and its Summary

Proposal No.3: 2010 Final Financial Report

Proposal No.4: Proposal on Profit Distribution of Y2010

Proposal No.5: Proposal on Estimated Routine Related Transactions in 2011

Proposal No.6: Summary Report on Audit Work Performed by Reanda Certified Public Accountants in Y2010

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

Proposal No.8: Proposal on Paying Audit Fee in Y2011 to Reanda Certified Public Accountants

2. The 2nd Session of the Audit Committee in 2011 was convened on 23 Apr. 2011, at which the First Quarterly Report 2011 and its Summary was reviewed and approved:

3. The 3rd Session of the Audit Committee in 2011 was convened on 21 May 2011, at which the Proposal on Electing the Convener of the 2nd Audit Committee was reviewed and approved.

4. The 4th Session of the Audit Committee in 2011 was convened on 13 Aug. 2011, at which the following proposals were reviewed and approved:

Proposal No.1: Semi-annual Report 2011 and its Summary.

Proposal No.2: The Newly Added Expected Routine Related Transactions for Y2011

Proposal No.3: Related Transaction on Properties Rental

5. The 5th Session of the Audit Committee in 2011 was convened on 22 Oct. 2011, at which the following proposals were reviewed and approved:

Proposal No.1: The Third Quarterly Report 2011 and its Summary

Proposal No.2: The Newly Added Expected Routine Related Transactions once again for Y2011

6. The 6th Session of the Audit Committee in 2011 was convened on 10 Dec. 2010, at which the Examination Plan for Y2012 was reviewed and approved.

7. The Audit Committee conducted a comprehensive examination on the Company's audit work in 2011, which was detailed as follows:

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

The Audit Committee communicated with the certified public accountants on the audit schedule for the Annual Report 2011 for the first time on 3 Nov. 2011, and both parties came to a consensus on the audit schedule; On 5 Jan. 2012, the Audit Committee communicated with the accountants for the second time. On both meetings of communication, the Audit Committee asked the CPAs firm to issue the Auditor's Report as scheduled. If any problem arose in the audit process, the CPAs firm should communicate in a timely way with the Audit Committee and the accounting department of the Company, so as to ensure that the audit would be accomplished smoothly. The certified public accountants admitted the memos of the two communication meetings by signing on them and sending them back. On 27 Feb. 2012, the Audit Committee conducted the third communication meeting on the annual audit with the accountants; the accountants expressed again that they would issue the annual Auditor's Report according to the audit schedule.

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

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

A. On 4 Jan. 2012, we conscientiously reviewed the un-audited financial statements for 2011 prepared

by the Company. According to the Enterprises Accounting Standards of China promulgated by the Ministry of Finance on 15 Feb. 2006 and relevant financial rules of the Company, we focused on the authenticity and completeness of accounting information, and whether the preparation of financial statement strictly accorded with relevant regulations and rules. We never found any fateful abnormality in the un-audited Financial Report 2011, or any capital occupation by major shareholders and subsidiary companies for non-operational reasons, or any external guarantee violating regulations or abnormal related transaction after we inquired related financial officers and management staff, consulted meeting minutes of shareholders' meetings, supervisory committee, the Board of Directors, relevant committees, relevant accounting book and vouchers. We thus agreed to submit the statements to Reanda Certified Public Accountants engaged by the Company for audit.

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

In accordance with the preliminary audit opinion after auditing the Financial Report 2011 of the Company issued by Reanda Certified Public Accountants on 24 Feb. 2012, the Audit Committee reviewed the Financial Report 2011 of the Company once again, then formed a written audit opinion after a full communication with the certified public accountants. We considered that: we agreed to keep the audit opinion for the first time and considered that the Company handled addendum items after balance sheet date strictly according to new enterprise accounting standards. The financial statements were prepared according to the new enterprise accounting standards, the Rule No.15 on Preparing Information to Be Disclosed by Companies Issuing Stock to Public—General Requirements for Financial Reports (Revised in 2010) and relevant financial rules of the Company. The certified public accountants conducted their audit in accordance with independent auditing standards. And the Auditor's Report issued fairly reflected operation results and financial status of the Company in 2011 in all material respects.

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

Audit Committee have audited Audit Plan of 2011 submitted by Accounting Department 3 Nov. 2011, fully communicated with person in charge of audit of Reanda Certified Public Accountants on the aforesaid work plan and came to consensus. We considered that the plan was detailed and identified responsibility, which would ensure the successful completeness of audit of 2011.

Auditor from Reanda Certified Public Accountants audited financial statement 2011 twice and made an inventory of 2011 in accordance with audit plan: (a). on preliminary audit on financial statement from January to November, they arranged 11 persons and worked for 28 days from 22 Nov. 2011 to 23 Dec. 2011; (b). on annual audit 2011, they arranged 11 persons and worked for 24 days from 1 Jan. 2012 to 18 Jan. 2012 and from 2 Feb. 2012 to 11 Feb. 2012, during which the annual inventory took up for one or two days, so the Audit of 2011 totaled 52 days. Person in charge of the project communicated with the Audit Committee and the Company continuously and fully on application of accounting policies, items of accountancy adjustment, statement consolidation, as well as

to-be-perfected accounting work discovered in audit, which made both parties deeply realized particulars about operation, financial management and application and implementation of new enterprise accounting standards and supplied more professional judgment for the audit conclusion issued by certified public accountants. During audit period, all members of the Audit Committee show great concern on problems discovered in progress of audit and communicated on the following points by phone and interview:

1. Whether all the transactions recorded, whether the transaction was true and whether the information was integrated;
2. Whether the financial statement prepared in accordance with requirements of new enterprise accounting standards and securities regulatory administration and regulations stipulated in financial system;
3. Whether the annual inventory actualized successfully, the conclusion whether fully reflected quantity and quality of assets;
4. Particulars about abidance of laws, provisions, other external requirements and policy, prescription of managements and internal requirements by the Company;
5. Whether the internal accounting control system of the Company was established, perfected and implemented effectively;
6. Whether every department worked in certified public accountants to get sufficient and appropriate evidence.

The certified public accountants actively affirmed the above questions and issued auditor's report with standard unqualified opinion on 10 Mar. 2012.

We considered that the certified public accountants carried out audit strictly in accordance with regulations stipulated in Independent Auditing Criterion for CPA, audit time was enough, scheme of auditor was reasonable and they are capable, the financial statement fully reflected financial status as of 31 Dec. 2011 and operation results and cash flow in 2011, the audit conclusion accorded with actual situation of the Company.

(4) Resolution on reengagement of certified public accountants in 2012

The 1st Session of the Audit Committee 2012 was held on 10 Mar. 2012, and all members unanimously approved the following resolutions:

- a. Summary report on Reanda Certified Public Accountants engaging in audit of the Company in this year
- b. Proposal on reengagement of Reanda Certified Public Accountants as audit unit of the Company 2012 in view of it being audit unit of the Company from 2006 to 2011 and the spirit of capability, diligence and duteous showed in audit work of 2011.
- c. Payment for audit 2012 to Reanda Certified Public Accountants

The above resolution should submit to the 1st Session of the Board of Directors 2012 for approval.

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

(IV). Performance report of Remuneration & Appraisal Committee of the Board of Directors:

1. On 5 Mar. 2011, the 1st Session of Remuneration & Appraisal Committee for 2011 was held.

Remuneration & Appraisal Committee verified remuneration of directors, supervisors and senior managements disclosed in Annual Report 2010 after carefully checked production and operating achievements actually realized in 2010, and issued written verification opinion, which has been disclosed in Annual Report 2010.

2. On 21 May 2011, the 2nd Session of Remuneration & Appraisal Committee for 2011 was held, at which the convener of the 2nd Remuneration & Appraisal Committee was elected.

3. On 13 Aug. 2011, the 3rd Session of Remuneration & Appraisal Committee for 2011 was held. The Committee heard work report on performance appraisal of the Company in the first half year of 2011 from Personnel Department, and deeply learned operating performance of the Company in the first half year of 2011.

4. On 10 Dec. 2011, the 4th Session of Remuneration & Appraisal Committee for 2011 was held. The Committee heard work report on performance appraisal of the Company by its human resources department.

5. On 10 Mar. 2012, verified remuneration of directors, supervisors and senior managements disclosed in Annual Report 2011 after carefully checked production and operating achievements actually realized in 2011, and issued written verification opinion, which considered that remuneration of directors, supervisors and senior managements accorded with relevant resolution on the Shareholders' Meeting and the Meeting of the Board of Directors and relevant remuneration management system, remuneration of directors, supervisors and senior managements disclosed in Interim Report 2011 strictly carried out the remuneration management system and performance appraisal measure, and the remuneration of directors, supervisors and senior managements disclosed in Annual Report 2011 was authentic, reasonable and integrated.

(V) Performance report of Strategy Committee of the Board of Directors:

On 13 Aug. 2011, the Company convened the 1st Session of the Strategy Committee for 2011, at which reviewed and approved the following proposals:

Proposal No.1: New Company invested to establish by the controlling subsidiary of the Company

Proposal No.1: Related Transaction on Properties Rental

(VI). Implementation of management system on anyone possess insider information

In compliance with relevant internal systems such as Management System of Insider Information and Insiders, Management System of Information Disclosure, Report and Deliberation System of Significant Events, and Management Method of Information Transfer (Internal and External), relevant laws and regulations of the stock exchange, as well as Requirements for Strict Implementation of Security Measures for Insider Information, the Company sent out files to remind

controlling shareholders, actual controllers, directors, supervisors, senior executives and staffs of related operating department of doing well in the implementation of security measure for insider information and forbiddance for trading stocks of the Company by taking advantage of insider information in each duration of preparing periodical reports. Besides, CSRC issued the Regulation on Establishing the Registration System of Insiders by Listed Companies (came to effect on 25 Nov. 2011), and the Company sent the regulation to all the directors, supervisors of the Company and relevant internal personnel immediately, and notified the actual controller and controlling shareholder; the Company revised the Management System of Insider Information and Insiders in accordance with the said Regulation from CSRC, which was reviewed and approved at the 6th Board Meeting for 2011 on 10 Dec. 2011 as well as published. Meanwhile, the Company issued the revised Management System of Insider Information and Insiders, and required all the relevant personnel to do well and assist the registration and control work of insider information and insiders once again. Moreover, it put much emphasis on the importance of the secrecy of insider information, regulations of forbiddance of trading stocks of the Company by taking advantage of insider information, and emphasized the severe consequences of violation. Besides following rules of the exchange stock to submit registration form of insiders who knew about insider information, the Company, at the same time, in line with requirements of administrative Regulatory Bureau, timely submitted quarterly registration form of insiders who knew about insider information to Xiamen CSRC after every quarter-end. During the reporting period, the Company didn't find any insider trade stocks of the Company by taking advantage of insider information, and it resolutely prevented any behavior of insiders knowing insider information or users of external information for trading stocks of the Company by taking advantage of insider information.

As for the problem on registration of insiders raised by Xiamen CSRC from the site-inspection, the Company has finished the rectification in accordance with relevant requirements. Besides, the Company will verify and register the insiders one by one in the future work by strictly abiding the relevant regulations, ensure the list of insiders complete and accurate, and it also will do well the preservation work of the working papers, so as to establish a complete record of insiders. Moreover, the Company issued a notice once again to require all the relevant personnel to do well and assist the registration and control work of insider information and insiders.

(VII) Work scheme and implementation program on the establishment and perfect of internal control system

In order to perfect the internal control system, the Company decided to implement the rectification on internal control in 2012, with the schedule as follows and the implementation way that relevant departments finish the rectification on time with the audit department as the principal axis, or the audit organ integrates the Company's relevant systems and methods to make relevant system according to the items of the scheme, which is in compliance with the requirements of CSRC and Shenzhen Stock Exchange, so as to ensure the Company's effective implementation of internal control.

Implementation Scheme on the Rectification of Internal Control for Y2012

Item \ Month	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Basis of internal control	√											
Internal control system on accounting basic work		√										
Capital management system			√									
Internal control system on inventories				√								
Fixed assets management system				√								
Internal control system on current accounts					√							
Management system on project on construction and intangible assets					√							
Internal control system on long-term and short-term borrowings					√							
Revenue management system						√						
Cost control system						√						
Profits allocation management system						√						
Financial report management system							√					
Investment management system							√					
Management system on notes receivable and payable							√					
Management system on invoice and financial bills								√				
Budget management system								√				
External guarantee management system								√				
Accounting computerization management system								√				
Files management system								√				
Stamp management system									√			
System on confidentiality of information									√			
Staff management system									√			
Payroll management system									√			
Performance appraisal management system									√			
Production schedule management system									√			
Production safety management system										√		
Statistical management system										√		
Technical management system										√		
Management system on R&D of product										√		
Quality management system											√	
Security management system											√	
Equipment management system											√	
Environmental protection management system											√	
Management system on security of information system												√
Materials procurement management system												√
Sales management system												√
Bidding management system												√

(VIII) Preplan of profit distribution or capitalization of capital reserve for 2011 made by the Board of Directors

Cash dividends by the Company in the last three years

Unit: RMB Yuan

Year	Amount of cash dividend (including tax)	Net profit attributable to shareholders of the listed company in consolidated statements for the year	Ratio to the net profit attributable to shareholders of the listed company in consolidated statements for the year	Profit distributable for the year
2010		64,373,615.28	-	-
2009	-	52,759,688.10	-	-
2008	-	42,536,200.29	-	-
Proportion of accumulative cash dividends in the last three years in the latest annual average net profit			0.00%	

No cash dividend preplan was put forward though the Company made profits for the reporting period.

The reasons why the Company did not put forward a cash dividend preplan though the Company achieved profits in the reporting period	Usage and plan of retained profit
The profit for the reporting period stood at RMB 9,758,413.34 and the opening loss to be made up was RMB 775,973,855.22.	The profit for the reporting period was used for making up loss in the past.

VIII. Report of Supervisory Committee

(I). Particulars of the Session of Supervisory Committee

1. The 1st Session of the Supervisory Committee 2011 was held on 5 Mar. 2011, at which the following resolutions were reviewed and approved:

Proposal 1: Work Report of the Supervisory Committee 2010

Proposal 2: Self-evaluation Report on Internal Control of the Company 2010

Proposal 3: Annual Report 2010 and its summary

2. The 2nd Session of the Supervisory Committee 2011 was held on 23 Apr. 2011, at which the following resolutions were reviewed and approved:

Proposal 1: The First Quarterly Report 2011 and its Summary

Proposal 2: The Re-election of the Supervisory Committee and the Remuneration paid for the Supervisors

3. The 3rd Session of the Supervisory Committee 2011 was held on 21 May 2011, at which the Proposal on Electing the Chairman of the 7th Supervisory Committee

4. The 4th Session of the Supervisory Committee 2011 was held on 13 Aug. 2011, at which the Semi-annual Report 2011 and its Summary was reviewed and approved.

5. The 5th Session of the Supervisory Committee 2011 was held on 22 Oct. 2011, at which the Third Quarterly Report 2011 and its Summary was reviewed and approved.

(II) After monitoring and considering on the whole operation 2011, the Supervisory Committee issued independent opinion as follows:

1. Operation particulars of the Company in accordance with laws: the deciding procedure accords with laws. The Company has set up prefect internal controlling system, and Directors, GMs of the Company have violated neither law, regulation, article of the associations nor company benefit, when they execute task of the Company;
2. Particulars of financial checking of the Company: the financial report of the Company actually reflects the financial status and operation results of the Company;
3. The Company have not raised fund from capital market since the first listing in 1993;
4. Prices of assets purchase and assets sale transaction in the Company are reasonable. There are neither exist low-down transactions nor damage part of shareholders' equity or assets of the Company;
5. The associated transactions of the Company are fair, which can not damage the benefits of the Company and shareholders.

(III) The Supervisory Committee had reviewed the Self-evaluation Report on Internal Control of the Company, and had no objection against the Self-evaluation Report of the Board.

IX. Significant Events

(I) Significant litigation or arbitration

Tsann Kuen Zhangzhou, one of the Company's subsidiaries, and Xinda Motor Co., Ltd. ("Xinda Motor") signed a product supply contract on 20 Jul. 2009, with the valid period for the contract being from 1 Jul. 2009 to 30 Jun. 2012. Both parties also signed the 2011 ED Procurement Contract of Tsann Kuen Zhangzhou Enterprise Co., Ltd., the Special Agreement and other agreements, according to which Tsann Kuen Zhangzhou would purchase products from Xinda Motor. Later, Tsann Kuen Zhangzhou refused to pay for the products and chose to terminate the contract due to quality problems found in Xinda Motor's products. On 2 Nov. 2011, Xinda Motor filed a civil action against Tsann Kuen Zhangzhou to Zhangzhou Intermediate People's Court, asking the court to order Tsann Kuen Zhangzhou to pay US\$ 479,089.06 to it for the part of the contract that had been executed but not yet paid for, to bear the damages for overdue payment, and to continue to execute the unexecuted contractual obligation (equivalent to a payment of US\$ 189,423.25 for goods).

Tsann Kuen Zhangzhou filed a cross action on 8 Jan. 2012. Xinda Motor had caused serious economic loss and reputation damage on Tsann Kuen Zhangzhou for the products it provided for Tsann Kuen Zhangzhou did not go with the contract, due to which Tsann Kuen Zhangzhou produced products of ill quality, goods were returned and orders were canceled. On that basis, Tsann Kuen Zhangzhou asked Zhangzhou Intermediate People's Court to terminate the contract between both

parties and order Xinda Motor to pay to Tsann Kuen Zhangzhou a damage of RMB 1 million, and a compensation of RMB 7.6216 million for economic loss.

Up to the report day, the outstanding amount due from Tsann Kuen Zhangzhou to Xinda Motor was US\$ 479,089.06. The case is currently on the docket.

(II) Significant purchase or disposal of assets and acquisition or merge during the reporting period

During the reporting period, in order to take advantage of professional score of self-research & development, design and sales, Tsann Kuen Zhangzhou Enterprise Co. Ltd, share controlling subsidiary of the Company, decreased proportion of self-manufacture, brought accessory factories to Tsann Industrial Park, which supplied more professional accessories in the park, reduced cost, therefore, improved the general market competition of Tsann Kuen; reduced occupation of fixed assets, promoted turnover of total assets and ensured stable and continuous development of operation of the Company. Object of the transaction was PT. STAR COMGISTIC INDONESIA, the supporting manufacturer and related party, trading price based on net value of assts and referred to price of same or similar kind of equipment. The final transaction price of transaction object was higher than book value after negotiation, which never damaged equity of minority shareholders; there was no influence on continuity of business or stability of management.

During the reporting period, in accordance with actual business need of supporting factories, the Company sold out a handful of equipment on the trot. For details please refer to Public Notice on Sales of Partial Operation Assets of Accessory Factory of Share Controlling Subsidiary Zhangzhou Tsann Kuen, Public Notice on Explanation on Progress of Sales of Partial Operation Assets of Accessory Factory of Share Controlling Subsidiary Zhangzhou Tsann Kuen and New Assets for Sale, and Public Notice on Explanation on Progress of Sales of Partial Operation Assets of Accessory Factory of Share Controlling Subsidiary Zhangzhou Tsann Kuen 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> respectively on 29 Jul. 2008, 21 Jan. 2009, 28 Apr. 2009 and 28 Apr. 2010.

(III) Significant related transaction

1. All transactions were priced according to Advance Pricing Arrangement for Related Companies' Transaction signed with Xiamen Tax Bureau and referring to the principle of fair transaction.
2. Way of payment abided by contracts signed by both parties.
3. Explanation on necessity and persistence of related transactions: enhance efficiency of upright integration in the group, develop unified purchase, reach cost cutting intension and enhance its market share through advantage grasping global countries of related enterprises.
4. Related transaction due to joint investment of the Company and related party: none

5.Occupation and repayment of non-operating capital by controlling shareholder and related party:
naught

(IV) Significant guarantee

Unit: RMB'0000

External guarantees of the Company (excluding those for subsidiaries)									
Guarantee d party	Disclosure date and number of the public notice in relation to the guarantee amount	Amount of guarantee	Date of occurrence (date of signing agreement)	Actual amount of guarante e	Type of guaran tee	Term of guaran tee	Execution completed or not	Guarantee for a related party or not (Yes or No)	
Naught	Naught	0	Naught	0	Naugh t	Naugh t	Naught	Naught	
Total external guarantee amount approved in the reporting period (A1)		Naught	Total actual external guarantee amount in the reporting period (A2)					Naught	
Total external guarantee amount approved by the period-end (A3)		Naught	Total actual external guarantee balance at the period-end (A4)					Naught	
Guarantees provided by the Company for its subsidiaries									
Guaranteed party	Disclosure date and number of the public notice in relation to the guarantee amount	Amount of guarantee	Date of occurrence (date of signing agreement)	Actual amount t of guaran tee	Type of guaran tee	Term of guaran tee	Execut ion compl eted or not	Guarantee for a related party or not (Yes or No)	
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	2010/12/4;2010-030	8,000	2011-3-4	297	Joint-l iabilit y guaran tee	One year since the date when the liabilit y is due	No	No	
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	2010/12/4;2010-030	4,750	2010-12-4	161			Yes		
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd.	2011/4/23;2011-008	10,000	2011-4-23	283			No		
PT.Tsann Kuen ZhangZhou Indonesia	2011-4-26;2011-008	2,275	2011-7-8	630			No		
Total amount of guarantees for subsidiaries approved in the reporting period (B1)		12,275	Total actual amount of guarantees for subsidiaries in the reporting period (B2)					1,371	
Total amount of guarantees for subsidiaries approved by the period-end (B3)		25,025	Total actual balance of guarantees for subsidiaries at the period-end (B4)					913	
Total guarantee amount of the Company (combination of the two kinds of guarantees above)									
Total guarantee amount approved in the reporting period (A1+B1)			12,275	Total actual guarantee amount in the reporting period (A2+B2)				1,371	
Total guarantee amount approved by the period-end (A3+B3)			25,025	Total actual guarantee balance at the period-end (A4+B4)				913	
Proportion of the total actual guarantee balance (A4+B4) in the Company’s net assets						1.94%			
Of which:									
Guarantee amount offered to shareholders, actual controller and related parties (C)						Naught			
Debt guarantee amount directly or indirectly provided for guaranteed parties with an asset-liability ratio over 70% (D)						Naught			
Amount of total guarantee over 50% of net assets (E)						(22,172)			
Total of above-mentioned three kinds of guarantees (C+D+E)						(22,172)			
Explanation on possibility to bear joint liability due to undue guarantees						Naught			

(V) Investment on derivative products

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

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

1. Statement of investment on derivative products

Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	<ol style="list-style-type: none">1. Analysis on risks from holding of derivative products: gains or losses from difference between contracted exchange rate and market exchange rate on value date.2. Control measures:<ol style="list-style-type: none">(1) Principle: total amount of whole contracted derivative financial commodities will not exceed sum of net position (net position: total foreign currency assets- total foreign currency liabilities) of current assets liabilities plus net position arising from business of the Company in the next 6 months.(2) Separation of post: separation of post of trader, dealer and authorization.(3) Normalization of procedure: trader should offer sufficient market information and risks to people who was authorized, clarify possible risks, consider feasibility of transaction when sign the contract, and complete derivative financial commodities trade with authorization. Documents referring to contract trade need examination of legal affairs ministry, and the dealer will requested to be authorized when complete business transaction.(4) Periodic evaluation: The Company kept an eye on the profit and loss from the fair value changes of the derivative by checking daily/(monthly) the difference between the estimated exchange rate (provided by the bank)*the undue contracted amount and the currency amount when bought in.(5) Loss limit: contracted losses mustn't exceed 6% of total trading amount.(6) Audit system: Audit ministry audits derivative audit trade of derivative financial products periodically and submit audit report.
Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	<ol style="list-style-type: none">(1) Gains and losses effected by completed transaction amount of derivative products was RMB 23,902,700, and loss from undelivered transaction was RMB 2,334,400 in the reporting period;(2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month;(3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period	There were no significant changes between the Company's accounting policy and specific accounting principles of derivatives in the reporting period and those in the last reporting period.
Specific opinion from independent directors, sponsors or financial consultants on the Company's derivatives investment and risk control	Investment on derivative products, which was operated by Zhangzhou Tsann Kuen, controlling subsidiary of the Company, was performance of signed contract. Then they will execute the examination and review procedure of the Board Meeting or Shareholder's Meeting in accordance with regulations and execute obligation of information disclosure in time.

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

Unit: RMB'0000

Type of contract	Beginning contract amount	Closing contract amount	Gain or loss in the reporting period	Proportion of the closing contract amount in the closing net assets of the Company (%)
Forward foreign exchange trade	4,438.00	414.53	9.33	0.88%
Forward transaction	26,552.30	63,128.00	454.28	134.07%
Total	30,990.30	63,542.53	463.61	134.95%

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

(VII) Proposal on reengagement of Reanda Certified Public Accountants

The Company planned to engage Reanda Certified Public Accountants which qualify for related business in securities and futures to audit the accounting statements and supply other related consultant services with term of one year. Reanda Certified Public Accountants had served for the Company for 6 years.

(VIII) Particulars on the Site-inspection by Xiamen CSRC

Xiamen Regulatory Bureau of CSRC (hereinafter referred as “Xiamen CSRC”) carried out the site-inspection on the Company from the late Jul. 2011, and made extension inspection on the overseas related transaction as well as other issues. Xiamen CSRC made the Decision of Adopting Rectification Order on Tsann Kuen (China) Enterprise Co., Ltd. ([2012] No. 1, hereinafter referred as “Decision”), for details, please refer to the Public Notice on Receiving the Decision of Rectification Order from Xiamen CSRC published on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> dated 4 Feb. 2012. After the inspection, Xiamen CSRC pointed out relevant deficiencies and problems on corporate governance, related transaction, register of insiders, information disclosure, internal control and financial accounting.

The Board of Directors of the Company paid special attention on the problems discovered from this inspection, basing on the attitude of earnest rectification and standardized operation, integrating the Company’s actual situation, the Company analyzed the problems raised in the Decision, then made measures for rectification one by one and put them into implementation, so as to form a Rectification and Improvement Report. Meanwhile, strictly in accordance with the requirements, the Company further strengthened the directors, supervisors, senior management staffs and relevant personnel to study the Principles for Corporate Governance of Listed Companies, Accounting Standards for Business Enterprises, Administration on Information Disclosure by Listed Companies, Rule No. 15 on Preparing Information to Be Disclosed by Companies Issuing Stock to

Public—General Requirements for Financial Report (Revised in 2010) and other laws and regulations, as well as perfect the corporate governance, standardize and reduce related transaction, strengthen financial management, standardize accounting, enhance the quality of information disclosure and ensure the Company's compliant operation. Then the Company convened the First Session of the Board of Directors and the First Session of Supervisory Committee for 2012 on 27 Feb. 2012 respectively to review the Rectification and Improvement Report. For details, please refer to the Public Notice on the Rectification and Improvement Report Concerning the Site-inspection by Xiamen CSRC, the Resolution of the First Session of the Board of Directors for 2012 and the Resolution of the First Session of the Supervisory Committee for 2012 on Securities Times, Hong Kong Ta Kung Pao and <http://www.cninfo.com.cn> dated on 29 Feb. 2012.

(IX) Other events

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 four years as at the balance sheet date. The rest balance of RMB 39,923,170.80 hadn't been carried over yet and would be continually deducted and offset in the future.

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

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

Reception time	Reception place	Reception way	Reception object	Major discussion content and the information provided by the Company
5 Jan. 2011	Office of the Company	Field research	Investment Director He Minji and Analyst Ouyang Jinwen from Value Partners	Operation status of the Company. No written material was offered
7 Jan. 2011		By telephone	Mr. Wang	Operation status of the Company. No written material was offered
21 Jan. 2011		By telephone	Mr. Wang	Operation status of the Company. No written material was offered
7 Mar. 2011		By telephone	Mr. Zhou	Operation status of the Company. No written material was offered
8 Mar. 2011		By telephone	Mr. Zhong	Operation status of the Company. No written material was offered
7 Apr. 2011		By telephone	Mr. Liao	Operation status of the Company. No written material was offered
11 May 2011		By telephone	Mr. Chen	Operation status of the Company. No written material was offered
7 Jul. 2011		By telephone	Mr. Yu	Operation status of the Company. No written material was offered
11 Jul. 2011		By telephone	Mr. Zhang	Operation status of the Company. No written material was offered
12 Jul. 2011		By telephone	Mr. Xie	Operation status of the Company. No written material was offered
13 Jul. 2011		By telephone	Mr. Zhou	Operation status of the Company. No written material was offered
6 Sept. 2011		On-site research	Mr. Wu	Operation status of the Company. No written material was offered
6 Sept. 2011		On-site research	Mr. Li	Operation status of the Company. No written material was offered

X. Financial statement (attached)

(I) Auditor's Report

(II) Financial Statement

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

XI. Document Available for Reference

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

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

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

(IV) Articles of Association

(V) Location of documents: secretariats of the Board

TSANN KUEN (CHINA) ENTERPRISE CO., LTD

The chairman of the Board: Jian Derong

10 Mar. 2012

Auditor's Report

Li-An-Da-Shen-Zi [2012] No.1108

To the shareholders of TSANN KUEN (CHINA) ENTERPRISE CO., LTD:

We have audited the accompanying financial statements of TSANN KUEN (CHINA) ENTERPRISE CO., LTD (hereafter referred to as "the Company") , which comprise the consolidated and company's balance sheets as at 31 December 2011, and the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in owners' equity for the year then ended and notes to these financial statements.

I. Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair statement of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the Accounting Standards for Business Enterprises so as to ensure its fair reflection; (2) designing, implementing and maintaining necessary internal control to ensure that the financial statements are free from material misstatement, whether due to fraud or error;

II. Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Audit opinion

In our opinion, the accompanying consolidated and the company's financial statements present fairly, in all material respects, the financial position of the consolidated and company as of 31 December 2011, and of their financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

Reanda Certified Public Accountants

Beijing · China

CPA: Sun Yibin

CPA:Zhang Liping

10 Mar. 2012

Consolidated Balance sheet

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

31 Dec. 2011

Unit: RMB Yuan

Assets	Note	31/12/2011	31/12/2010	Liabilities and shareholders' equity	Note	31/12/2011	31/12/2010
Current assets:				Current liabilities:			
Monetary funds	5.1	704,791,892.62	640,945,107.83	Short-term borrowings			
Held for trading financial assets	5.2	4,636,053.22	2,301,579.95	Held for trading financial liabilities			
Notes receivable	5.3	2,979,552.00	4,304,903.10	Notes payable	5.20	44,434,948.83	77,161,578.38
Accounts receivable	5.5	418,549,674.30	458,742,818.28	Accounts payable	5.21	857,656,434.60	836,505,277.66
Advances to suppliers	5.6	6,922,030.17	8,658,966.52	Advances from customers	5.22	13,928,863.22	15,875,235.26
Interests receivable	5.4	1,646,355.63	128,237.14	Employee benefits payable	5.23	45,828,794.36	37,912,505.82
Dividends receivable				Taxes payable	5.24	-11,309,225.00	48,362,325.48
Other receivables	5.7	36,134,933.46	60,422,920.42	Interests payable			
Inventories	5.8	314,874,172.31	276,589,483.95	Dividends payable			
Non-current assets due within one year	5.9	2,717,019.83		Other payables	5.25	94,564,576.55	90,697,163.04
Other current assets				Non-current liabilities due within one year			
Total current assets		1,493,251,683.54	1,452,094,017.19	Other current liabilities			
Non-current assets:				Total current liabilities		1,045,104,392.56	1,106,514,085.64
Available-for-sale financial assets				Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings			
Long-term receivables	5.10	49,751,452.73	71,186,747.74	Debt instruments payable			
Long-term equity investments	5.11	40,000.00	40,000.00	Long-term payables			
Investment property	5.12	65,585,318.46	29,344,230.78	Accrued liabilities			
Fixed assets	5.13	273,192,094.56	367,750,001.33	Deferred tax liabilities	5.18	695,407.98	345,236.99
Construction in progress	5.14	6,821,449.43	2,842,516.56	Other non-current liabilities	5.26	39,923,170.80	39,746,220.40
Materials held for construction				Total non-current liabilities		40,618,578.78	40,091,457.39
Fixed assets held for sale				Total liabilities		1,085,722,971.34	1,146,605,543.03
Biological assets held for production				Shareholders' equity:			
Oil and gas assets				Share capital	5.27	1,112,350,077.00	1,112,350,077.00
Intangible assets	5.15	3,514,775.75	25,021,404.35	Capital reserves	5.28	125,035,204.92	125,035,204.92
Development expenditure				Less: Treasury stock			
Goodwill	5.16		2,496,979.09	Designated reserves			
Long-term deferred expenses	5.17	6,979,767.93	5,953,419.25	Surplus reserves			
Deferred tax assets	5.18	16,993,745.49	28,379,559.09	Provision for general risks			
Other non-current assets				Undistributed profit	5.29	-766,215,441.88	-775,973,855.22
Total non-current assets		422,878,604.35	533,014,858.19	Foreign exchange differences		-311,272.66	79.51
				Equity attributable to shareholders of the parent		470,858,567.38	461,411,506.21
				Minority equity		359,548,749.17	377,091,826.14
				Total shareholders' equity		830,407,316.55	838,503,332.35
Total assets		1,916,130,287.89	1,985,108,875.38	Total liabilities and shareholders' equity		1,916,130,287.89	1,985,108,875.38

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Consolidated Income Statement

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

As of the year 2011

Unit: RMB Yuan

Items	Note	Y/e 31/12/2011	Y/e 31/12/2010
Operating revenue	5.30	2,914,385,253.04	3,334,396,248.73
Less: Operating costs	5.30	2,563,803,756.96	2,916,528,941.56
Business tax and surcharges	5.31	18,147,987.40	4,832,129.40
Sales expenses	5.32	112,088,315.15	117,061,079.05
General and administrative expenses	5.33	223,284,099.42	217,561,034.54
Financial costs	5.34	-5,012,041.14	-5,006,749.40
Impairment loss on assets	5.35	14,488,754.47	3,266,483.24
Add: Gain from changes in fair value (loss presented with "-" prefix)	5.36	2,334,473.27	712,918.57
Add: Investment income (loss presented with "-" prefix)	5.37	24,207,413.20	-2,722,484.46
Including: Income from investments in associates and joint ventures			
Operating profit (loss presented with "-" prefix)		14,126,267.25	78,143,764.45
Add: Non-operating income	5.38	14,037,919.20	18,017,047.42
Less: Non-operating expenses	5.39	1,321,709.77	4,418,494.62
Including: Loss on disposals of non-current assets		211,099.69	3,521,522.51
Profit before taxation (loss presented with "-" prefix)		26,842,476.68	91,742,317.25
Less: Corporate income tax expenses	5.40	12,002,208.41	4,318,628.58
Net profit (loss presented with "-" prefix)		14,840,268.27	87,423,688.67
Attributable to shareholders of the parent		9,758,413.34	64,373,615.28
Minority interests		5,081,854.93	23,050,073.39
Earnings per share	5.41		
Basic earnings per share		0.01	0.06
Diluted earnings per share		0.01	0.06
Other comprehensive income	5.42	-311,352.17	446,214.13
Total comprehensive income		14,528,916.10	87,869,902.80
Total comprehensive income attributable to shareholders of the parent		9,447,061.17	64,819,829.41
Total comprehensive income attributable to minority equity		5,081,854.93	23,050,073.39

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Consolidated Cash Flow Statement

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

As of the year 2011

Unit: RMB Yuan

Items	Note	Y/e 31/12/2011	Y/e 31/12/2010
Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		2,983,450,372.22	3,298,977,522.21
Tax refunds receipts		242,451,210.12	250,823,296.09
Other cash receipts in relation to operating activities	5.43(1)	56,357,714.46	42,617,891.92
Subtotal of cash inflows from operating activities		3,282,259,296.80	3,592,418,710.22
Cash paid for goods and services		2,688,760,297.12	2,829,853,346.46
Cash paid to and on behalf of employees		285,557,969.26	323,295,309.81
Taxes and surcharges paid		21,673,800.10	12,329,744.36
Other cash payments in relation to operating activities	5.43(2)	192,283,887.95	200,758,115.72
Subtotal of cash outflows from operating activities		3,188,275,954.43	3,366,236,516.35
Net cash flows from operating activities		93,983,342.37	226,182,193.87
Cash flows from investing activities			
Cash receipts from withdrawal of investments			260,117.21
Cash receipts from investment income		23,909,937.26	7,500.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		46,944,384.79	47,590,409.81
Net cash receipts from disposal of subsidiaries and other operating entities			5,273,850.97
Other cash receipts in relation to investing activities	5.43(3)		244,311.71
Subtotal of cash inflows from investing activities		70,854,322.05	53,376,189.70
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		51,498,774.93	33,469,352.50
Cash paid for investments			405,700.00
Net Cash paid for acquisition of subsidiaries and other operating entities			
Other cash payments in relation to investing activities	5.43(4)	956,524.56	3,158,122.83
Subtotal of cash outflows from investing activities		52,455,299.49	37,033,175.33
Net cash flows from investing activities		18,399,022.56	16,343,014.37
Cash flows from financing activities			
Cash proceeds from issuing shares or other equity instruments			
Including: Contribution of by minority shareholders			
Cash proceeds from issuing borrowings		25,536,000.00	
Cash proceeds from issuing debt instruments			
Other cash proceeds in relation to financing activities	5.43(5)	196,042,600.00	75,076,374.37
Subtotal of cash inflows from financing activities		221,578,600.00	75,076,374.37
Repayment of loans or debts		25,536,000.00	68,271,000.00
Cash payments for interests, dividends and profit distribution		24,804,023.94	3,426,689.76
Including: Dividends and profit distribution paid to minority shareholders by subsidiaries		22,574,931.90	2,613,904.66
Other cash payments in relation to financing activities	5.43(6)	196,042,600.00	157,032,500.00
Subtotal of cash outflows from financing activities		246,382,623.94	228,730,189.76
Net cash flows from financing activities		-24,804,023.94	-153,653,815.39
Impact of changes in foreign exchange rates on cash and cash equivalents		-10,264,181.47	-2,133,566.05
Net increase in cash and cash equivalents		77,314,159.52	86,737,826.80
Add: Cash and cash equivalents as at 1 January 2011		627,477,733.10	540,739,906.30
Cash and cash equivalents as at 31 December 2011	5.44(3)	704,791,892.62	627,477,733.10

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Consolidated Statement of Changes in Shareholder's Equity

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

As of the year 2011

Unit: RMB Yuan

Items	As of the year 2011									
	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Inventory shares	Specific reserve	Surplus reserve	General risk provision	Retained profit	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							9,758,413.34	(311,352.17)	(17,543,076.97)	(8,096,015.80)
(I) Net profit for the year							9,758,413.34		5,081,854.93	14,840,268.27
(II) Other comprehensive gains								(311,352.17)		(311,352.17)
Sub-total of above (I) and (II)							9,758,413.34	(311,352.17)	5,081,854.93	14,528,916.10
(III) Capital paid in and reduced by shareholders									(50,000.00)	(50,000.00)
1. Capital investment by shareholders in the year									(50,000.00)	(50,000.00)
2. Amounts of share-based payments recognized in shareholders' equity										
3. Others										
(IV) Profit distribution in the year									(22,574,931.90)	(22,574,931.90)
1 · Appropriation of surplus reserve										
2 · Appropriation of general risk provision										
3 · Distribution to shareholders									(22,574,931.90)	(22,574,931.90)
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) Specific reserve										
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					(766,215,441.88)	(311,272.66)	359,548,749.17	830,407,316.55

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Consolidated Statement of Changes in Shareholder's Equity

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

As of the year 2011

Unit: RMB Yuan

Items	As of the year 2010									
	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Inventory shares	Specific reserve	Surplus reserve	General risk provision	Retained profit	Exchange difference of foreign currency		
I. Balance at the end of the 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 paid in and reduced by shareholders									(832,080.00)	(832,080.00)
1. Capital investment by shareholders in the year									(832,080.00)	(832,080.00)
2. Amounts of share-based payments recognized in shareholders' equity										
3. Others										
(IV) Profit distribution in the year									(2,613,904.66)	(2,613,904.66)
1 · Appropriation of surplus reserve										
2 · Appropriation of general risk provision										
3 · Distribution to shareholders									(2,613,904.66)	(2,613,904.66)
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) Specific 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

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Balance Sheet of the Company

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

31 Dec. 2011

Unit: RMB Yuan

Assets	Note	31/12/2011	31/12/2010	Liabilities and shareholders' equity	Note	31/12/2011	31/12/2010
Current assets:				Current liabilities:			
Monetary funds		13,757,429.84	904,966.64	Short-term borrowings			
Held for trading financial assets				Held for trading financial liabilities			
Notes receivable				Notes payable			
Accounts receivable				Accounts payable		59,885.95	274,567.76
Advances to suppliers		89,677.02	93,254.00	Advances from customers			31,260.00
Interests receivable		413.89		Employee benefits payable		168,972.16	208,568.85
Dividends receivable				Taxes payable		1,620,858.22	68,937,341.03
Other receivables	11.1	80,906.33	126,090.00	Interests payable			
Inventories				Dividends payable			
Non-current assets due within one year				Other payables		606,206,909.07	594,840,595.36
Other current assets				Non-current liabilities due within one year			
Total current assets		13,928,427.08	1,124,310.64	Other current liabilities			
Non-current assets:				Total current liabilities		608,056,625.40	664,292,333.00
Available-for-sale financial assets				Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings			
Long-term receivables				Debt instruments payable			
Long-term equity investments	11.2	990,854,030.83	990,854,030.83	Long-term payables			
Investment property		58,377,827.95	24,409,738.09	Designated payables			
Fixed assets		3,521,310.33	27,071,431.70	Accrued liabilities			
Construction in progress		1,278,000.00		Deferred tax liabilities			
Materials held for construction				Other non-current liabilities			
Fixed assets held for sale				Total non-current liabilities			
Biological assets held for production				Total liabilities		608,056,625.40	664,292,333.00
Oil and gas assets				Shareholders' equity:			
Intangible assets		1,204,109.34	19,315,381.38	Share capital		1,112,350,077.00	1,112,350,077.00
Development expenditure				Capital reserves		123,485,181.40	123,485,181.40
Goodwill				Less: Treasury stock			
Long-term deferred expenses		113,042.04	145,340.04	Designated reserves			
Deferred tax assets				Surplus reserves			
Other non-current assets				Provision for general risks			
Total non-current assets		1,055,348,320.49	1,061,795,922.04	Undistributed profit		-774,615,136.23	-837,207,358.72
				Total shareholders' equity		461,220,122.17	398,627,899.68
Total assets		1,069,276,747.57	1,062,920,232.68	Total liabilities and shareholders' equity		1,069,276,747.57	1,062,920,232.68

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Income Statement of the Company

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

As of the year 2011

Unit: RMB Yuan

Items	Note	Y/e 31/12/2011	Y/e 31/12/2010
Operating revenue	11.3	4,964,916.24	5,599,606.19
Less: Operating costs	11.3	2,854,371.07	5,405,509.48
Business tax and surcharges		280,830.32	287,235.33
Sales expenses			
General and administrative expenses		6,955,321.28	6,934,998.95
Financial costs		-426,708.61	87,522.50
Impairment loss on assets		803,044.69	-672,235.93
Add: Gain from changes in fair value (loss presented with "-" prefix)			
Gain/(loss) from investment ("-" means loss)	11.4	67,732,295.69	7,087,361.06
Including: share of profits in associates and joint ventures			
Business profit ("-" means loss)		62,230,353.18	643,936.92
Add: Non-operating income		452,869.31	619,658.53
Less: Non-operating expenses		91,000.00	
Including: Loss on disposals of non-current assets			
Profit before taxation (loss presented with "-" prefix)		62,592,222.49	1,263,595.45
Less: Corporate income tax expenses			
Net profit (loss presented with "-" prefix)		62,592,222.49	1,263,595.45
Earnings per share			
Basic earnings per share			
Diluted earnings per share			
Other comprehensive income			-205,085.71
Total comprehensive income		62,592,222.49	1,058,509.74

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Cash Flow Statement of the Company

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

As of the year 2011

Unit: RMB Yuan

Items	Notes	2011	2010
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		4,964,916.24	5,599,606.19
Tax refunds received			
Other cash received relating to operating activities		8,296,269.20	384,676.78
Subtotal of cash inflows from operating activities		13,261,185.44	5,984,282.97
Cash paid for goods and services		2,692,089.15	3,896,687.72
Cash paid to and for employees		900,549.84	853,952.70
Various taxes paid		1,496,064.53	1,277,891.28
Other cash payment relating to operating activities		61,994,314.41	5,055,588.12
Subtotal of cash outflows from operating activities		67,083,017.93	11,084,119.82
Net cash flows from operating activities		(53,821,832.49)	(5,099,836.85)
II. Cash flows from investment activities:			
Cash received from retraction of investments			260,117.21
Cash received from return on investments		67,732,295.69	7,849,213.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		220,000.00	1,405,235.07
Net cash received from disposal of subsidiaries or other business units			13,260,177.90
Other cash received relating to investment activities			
Subtotal of cash inflows from investment activities		67,952,295.69	22,774,744.15
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,278,000.00	606,373.57
Cash paid for investment			
Net cash paid to acquire subsidiaries and other business units			
Payment of cash relating to other investment activities			
Subtotal of cash outflows from investment activities		1,278,000.00	606,373.57
Net cash flows from investment activities		66,674,295.69	22,168,370.58
III. Cash Flows from Financing Activities:			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuance of bonds			
Other cash received relating to financing activities			580,000,000.00
Subtotal of cash inflows from financing activities			580,000,000.00
Repayment of borrowings			
Cash paid for interest expenses and distribution of dividends or profit			545,462.02
Other cash payments relating to financing activities			596,054,518.45
Sub-total of cash outflows from financing activities			596,599,980.47
Net cash flows from financing activities			(16,599,980.47)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			(58,027.85)
V. Net increase in cash and cash equivalents		12,852,463.20	410,525.41
Add: Cash and cash equivalents at year-begin		904,966.64	494,441.23
VI. Cash and cash equivalents at the end of the year		13,757,429.84	904,966.64

The notes attached form an integral part of the financial statements.

Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Statement of Changes in Equities Attributable to Shareholders of the Company

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

As of the year 2011

Unit: RMB Yuan

Item	As of the year 2011							
	Share capital	Capital reserve	Less: treasury stock	Specific reserve	Surplus public reserve	General risk reserve	Retained profit	Total shareholders' equity
I. Balance at the end of the previous year	1,112,350,077.00	123,485,181.40					(837,207,358.72)	398,627,899.68
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of this year	1,112,350,077.00	123,485,181.40					(837,207,358.72)	398,627,899.68
III. Increase/ decrease of amount in this year							62,592,222.49	62,592,222.49
(I) Net profit							62,592,222.49	62,592,222.49
(II) Other comprehensive incomes								
Subtotal of (I) and (II)							62,592,222.49	62,592,222.49
(III) Capital paid in and reduced by shareholders								
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in shareholders' equity								
3. Others								
(IV) Profit distribution								
1. Appropriations to surplus reserves								
2. Appropriations to general risk reserves								
3. Appropriations to shareholders								
4. Other								
(V) Internal carry-forward of shareholders' equity								
1. New increase of share capital from capital public reserves								
2. New increase of share capital from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for this period								
2. Used in this period								
(VII) Other								
IV. Closing balance	1,112,350,077.00	123,485,181.40					(774,615,136.23)	461,220,122.17

The notes attached form an integral part of the financial statements.
Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Statement of Changes in Equities Attributable to Shareholders of the Company

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

As of the year 2011

Unit: RMB Yuan

Item	As of the year 2010							
	Share capital	Capital reserve	Less: treasury stock	Specific reserve	Surplus public reserve	General risk reserve	Retained profit	Total shareholders' equity
I. Balance at the end of the previous year	1,112,350,077.00	123,690,267.11					(838,470,954.17)	397,569,389.94
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of this year	1,112,350,077.00	123,690,267.11					(838,470,954.17)	397,569,389.94
III. Increase/ decrease of amount in this year		(205,085.71)					1,263,595.45	1,058,509.74
(I) Net profit							1,263,595.45	1,263,595.45
(II) Other comprehensive incomes		(205,085.71)						(205,085.71)
Subtotal of (I) and (II)		(205,085.71)					1,263,595.45	1,058,509.74
(III) Capital paid in and reduced by shareholders								
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in shareholders' equity								
3. Others								
(IV) Profit distribution								
1. Appropriations to surplus reserves								
2. Appropriations to general risk reserves								
3. Appropriations to shareholders								
4. Other								
(V) Internal carry-forward of shareholders' equity								
1. New increase of share capital from capital public reserves								
2. New increase of share capital from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for this period								
2. Used in this period								
(VII) Other								
IV. Closing balance	1,112,350,077.00	123,485,181.40					(837,207,358.72)	398,627,899.68

The notes attached form an integral part of the financial statements.
Legal Representative: Jian Derong

Accounting Principal: Chen Zongyi

Principal of the accounting organ: Chen Zongyi

Tsann Kuen (China) Enterprise Co., Ltd.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 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 a incorporated company and was renamed as Tsann Kuen (China) Enterprise Co., Ltd. In June 1993, the Company issued 40,000,000 new shares pursuant to an international placing and public offer and these new shares (“B shares”) were then listed on the Shenzhen Stock Exchange on 30 June 1993. Until 31 December 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 December 31, 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 is: Household electrical appliance.

1.5 Description of significant changes of primary operating activities, significant changes of the structure of shareholding, significant mergers, acquisition and re-organisation occurred during the current reporting period.

The Company has no significant changes of primary operating activities, nor significant mergers, acquisition and re-organisation occurred during the current 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 of the Company have been prepared on the going concern basis with reference to the actual occurrence of transactions and events and in accordance with the China Enterprise Accounting Standards (CAS) issued by the Ministry of Finance on 15th February 2006 and the significant accounting policies and estimates as set out 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 31 December 2010, the performance, the cash flows and other relevant information of (the Group and) the Company for the year 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 Renmibi (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' 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 judgement whether continuing decline in the fair value. Generally, if the fair value of financial assets incurred serious decline, after consideration of all relevant factors, anticipate this is non-temporary, therefore can identified the available-for-sale financial assets has impaired, should recognize the impairment loss. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in impairment loss account of income statement.

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</u> <u>by group</u>
Account's age group	Conditions of account's age	Age analysis

<u>Group type</u>	<u>Basis of determination of group</u>	<u>Method for recognition of impairment allowances</u> <u>by group</u>
Related party 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 for recognition of impairment allowances:

<u>Group name</u>	<u>Explanation</u>
Related party group	No impairment allowances need to be recognized for the receivables from related parties.

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

The reason for individually assessed for impairment	If it is objectively evidential that a receivable of individual insignificance exist differing credit risk characteristics to other receivables of individual insignificance, the receivable is subject to individual assessment for impairment.
Method for recognition of impairment allowances	The receivable should be individually assessed for impairment, the provision for impairment allowances shall be recognized based on the difference of the book values higher than the present value of future cash flows.

For receivable of deposits and foregift shall be individually assessed for impairment on the balance sheet date, if there is no objectively evidential that receivable of deposits and foregift has impaired, no impairment allowances need to be recognized.

2.10.4 The Company according to the contract agreed date as credit expire date to collect the long-term accounts receivable, the account's 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 maturity	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.

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 realisable value of the excess is based on general selling prices.

② Impairment loss of inventories: 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 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

Low-value consumables are expended using the full amortisation 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 amortisation 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	Average amortization during the rest useful life.	

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>%</u>	<u>Useful life</u>	<u>Annual depreciation rate%</u>
Houses and buildings	10.00	20 years	4.50
Machineries	0.00	11 to 18 years	5.56-9.09
Electronic device 、furniture and modules	0.00	6 years	16.67
Vehicles	0.00	6 years	16.67
Improvment 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 recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned. If there is reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset shall

be fully depreciated over the lease term, however, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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.

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

2.16.2 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 recognize initially at cost.

2.17.2 Estimate of useful life and amortisation 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 developmet project

Internal organizational research expenses are accounted through profit and loss in current period; development costs which are recognized as intangible assets shall satisfy the following conditions: ① it is technical feasible for use or sales upon the completion of the intangible assets; ② it is intended for use or sales upon the completion of the intangible assets; ③ the manner to provide that expect future

economic benefits that are attributable to the intangible assets including a market is exist for the asset or product of the asset or provide evidence of serviceable if asset are inside used; ④ the entity should have enough technology, financial and other resources to support the completion of development, and have ability to use or sale the intangible assets; ⑤ the cost of intangible asset can be measured reliably.

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:

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

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

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

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

2.21.2 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 circumstance. If there is no clauses and requirements of others similar trading options, the Company shall estimate the fair value of the share option granted using a valuation technique.

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

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

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 completes a specified period of service or can be satisfied pre requirment, on each balance sheet date of waiting-period, the Company shall recognise an amount for the equity instrument during the vesting period based on the best available estimate of the number of equity instruments, according to the fair value of the Company's liability, recognize the received services as cost or expense, and increase liability corresponds to it.

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

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

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 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.

For the export sales of the products of the Company, no matter what the sales pattern adopt, recognition of revenue according to the sales contract or conventions listed in the orders, for those product sales employ

the FOB domestic ports settlement, revenue recognition upon the bill of lading acquired from the shipping company and conducted the export declaration; for those product sales employ the FOB oversea ports settlement, revenue recognition upon the export declaration finished and shipment at the buyer's receiving dock, as well as acquired the bill of lading from the shipping company.

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

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

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:

- 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.
- 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 should be reviewed at each balance sheet date.

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

2.26 Operating leases and finance leases

2.26.1 Operating leases

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

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

2.26.2 Finance lease

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

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

② When the Company as the lessor under finance lease, lessors shall recognise assets held under a finance lease in their balance sheets and present them as a long term accounts receivable at an amount equal to the minimum lease receivable add the initial cost, and simultaneously recognize unguaranteed residual value. The difference between the total of minimum lease receivable + initial costs + unguaranteed residual value and the total of present value shall be recognized as unrealized financing profits, adopt the actual interest rate method to recognize income during the lease period, recording to 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 asset;
- ② the Company has entered into a irrevocable transfer agreement with buyer;
- ③ the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.27.2 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, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

② its recoverable amount at the date of the subsequent decision not to sell.

2.28 Significant changes of accounting policies and accounting estimates

2.28.1 Changes of accounting policies

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	2
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 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	5
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	15

In accordance with the < The Notice Regarding to Fujian Province 2011 First and Second Group of High Technology Enterprise Review > (No. Mingkegao [2012]1), TKL was identified as Fujian Province 2011 first group of reviewed High Technology Enterprise (The certification No. GF201135000115), the validity is from the year 2011 to 2013.

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

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of products and raw materials	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	5
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

3.2.3 Tsann Kuen China (Shanghai) Enterprise Co., Ltd. (hereafter, TKS)

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

Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

3.2.4 Shanghai Canxing Trading Co.,Ltd. (hereafter, STD)

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of products and raw materials	17
Business tax	Business tax taxable revenue	5
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	1
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Taxable profits	25

3.2.5 Star Travel International (Xiamen) Co.,Ltd. (hereafter, TSX)

<u>Taxes and surcharges</u>	<u>Tax base</u>	<u>Tax rate%</u>
Value added tax	Revenues from sales of products and raw materials	5
Business tax	Business tax taxable revenue	7
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	3
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	2
Corporate income tax	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax	25

3.2.6 Xiamen Canxing Trading Co.,Ltd. (hereafter, TSX3C)

<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	2
Corporate income tax	Taxable profit	25

3.2.7 Shanghai Fanxin Airlines Service Co., Ltd. (hereafter, TSST)

<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
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period	2

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

3.2.8 Star Travel International (Dalian) Co.,Ltd. (hereafter, TSD)

<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	2
Corporate income tax	Taxable profit	25

3.2.9 Xiamen Star Comgistic Trading Co.,Ltd. (hereafter, SCCX)

<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	2
Corporate income tax	Taxable profit	25

Note 4: Business combination and the consolidated financial statements

4.1 Circumstance of subsidiaries

4.1.1 Subsidiaries acquired through incorporation or investment

*The monetary unit is ten thousand unless otherwise stated.

<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>
Tsann Kuen (Zhangzhou) Enterprise Co., Ltd.(TKL)	Sino-foreign joint venture	Zhangzhou	Manufacture home electronic appliance	USD16,000	Development, production and sales of small home electronic appliance, new style of electronic device, light-industrial product, and modern furniture and relative modules
Star Travel International (Xiamen) Co.,Ltd.(TSX)	limited liability company	Xiamen	travel business	CNY 500	Inbound tourism business; domestic tourism business

Subsidiaries acquired through incorporation or investment (Continued)

<u>Subsidiaries</u>	<u>* Actual amount of investment as at 31/12/2011</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>
TKL	USD12,000	0.00	75.00	75.00
TSX	CNY 500	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 their quotient of the beginning of the period</u>
TKL	Yes	320,677,308.41	0.00	0.00
TSX	Yes	0.00	0.00	0.00

4.1.2 Subsidiaries acquired through business combination under common control

*The monetary unit is ten thousand unless otherwise stated.

<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>
Tsann Kuen China (Shang Hai) Enterprise Co., Ltd. (TKS)	Sino-foreign joint venture	Shanghai	Manufacture home electronic appliance	USD4,000	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 31/12/2011</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	USD2,500	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 their quotient of the beginning of the period</u>
TKS	Yes	35,899,170.57	1,576,814.68	0.00

4.2 Circumstance of sub-subsidiaries

4.2.1 Sub-subsidiaries acquired through incorporation or investment

*The monetary unit is ten thousand unless otherwise stated.

<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>
Tsann Kuen (Zhangzhou) South Port Electronics Enterprise Co., Ltd. (TKN)	Sino-foreign joint venture	Zhangzhou	Manufacture home electronic appliance	CNY 500	Development and production of small home electronic appliance, new style of electronic device, light-industrial product, and modern furniture
Tsann Kuen (Zhangzhou) Profession and Technology Institute (LTC)	nonbusiness enterprise run by local people	Zhangzhou	Secondary vocational education	CNY 300	Secondary vocational education
Shanghai Canxing Trading Co.,Ltd (STD)	limited liability company	Shanghai	Sales of home electronic	CNY 495	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)

<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>
Xiamen Canxing Trading Co.,Ltd. (TSX3C)	limited liability company	Xiamen	Sales of home electronic	CNY 3,000	Wholesale、retail、general merchandise、home electronic appliance、computer and its fitting equipment, communication equipments, mechanical and electronic equipments,office equipments,kitchen appliance and relate complete product; Import or export products or technology, but those products prohibit by the Country are exempt..
Xiamen Star Comgistic Trading Co.,Ltd. (SCCX)	limited liability company	Xiamen	Sales of home electronic	CNY 2,800	Wholesale、retail、general merchandise、home electronic appliance、computer and its fitting equipment, communication equipments, mechanical and electronic equipments,office equipments,kitchen appliance and relate complete product; Import or export products or technology, but those products prohibit by the Country are exempt..
Brilliant Leader Limited (Brilliant Leader Ltd.)	limited liability company	Hongkong	Trade、Investment	USD 495	Investment business for industry of home electronic appliance, receive trade orders, agency procurement, research and development home electronic appliance, market research, etc.
Globe Strong Limited (Globe Strong Ltd.)	limited liability company	Hongkong	Trade、Investment	USD 5	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 home electronic	USD 500	Manufacture displayer/ LED television/ droplight/ desk lamp/ LED light/ fluorescent lamp/ dehumidifier/ stirrer/ juicer/ electric mosquito killer/ coffee pot/ hair drier/ electric fan/ humidifier/ electric oven / microwave oven/ toaster/ electric cooker/ electric iron/ deep fryer.

Sub-subsidiaries acquired through incorporation or investment (Continued)

<u>Sub-subsidiaries</u>	<u>* Actual amount of investment as at 31/12/2011</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 375	0.00	56.25	56.25
LTC	CNY 300	0.00	75.00	75.00
STD	CNY 495	0.00	56.25	56.25
TSX3C	CNY 3,000	0.00	75.00	75.00
SCCX	CNY 2,800	0.00	75.00	75.00
Brilliant Leader Ltd.	USD 495	0.00	75.00	75.00
Globe Strong Ltd.	USD 5	0.00	75.00	75.00
TKLI	USD 400	0.00	75.00	75.00

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	3,030,069.27	0.00	0.00
LTC	Yes	0.00	0.00	0.00

<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>
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

*The monetary unit is ten thousand unless otherwise stated.

<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 550	Engage in domestic airline of civil air transport sales agency business, except in Hong Kong, Macao, and Taiwan regions.
Star Travel International (Dalian) Co.,Ltd. (TSD)	limited liability company	Dalian	Travel business	CNY 530	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 150	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 31/12/2011</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 463	0.00	75.00	75.00
TSD	CNY 534.7	0.00	74.25	74.25
TSXT	CNY 125	0.00	75.00	75.00

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	-57,799.08	12,108.32	0.00
TSXT	Yes	0.00	0.00	0.00

4.3 Changes of scope of consolidation financial statements

The subsidiary TKL established the sub-subsidiary TKLI, which directly invested by Brilliant Leader Ltd. and Globe Strong Ltd. Since the date of foundation, the financial statement of TKLI has been included in the consolidated financial statements.

In February 2011, TSX3C transferred 90% shareholdings of Suzhou Taihu Travel International Co., Ltd.(hereafter, TSSZ) to Xiamen Xingyou Trading Co., Ltd., the consideration for transference is CNY 450,000, in addition, transferred 10% shareholdings of TSSZ to Dai huiyuan, the consideration for transference is CNY 50,000. Since the transfer finished, the financial statement of TSSZ has not included in the consolidated financial statements, the revenues, expenditures and profits before transfer has been included in the consolidated statement of comprehensive income, and the cashflows before transfer has been included in the consolidated statement of cash flows.

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>Net assets value as at 31/12/2011</u>	<u>Net profits for the current reporting period</u>
TKLI	23,400,723.44	-2,192,221.35

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

<u>Subsidiaries</u>	<u>Net assets value as at the date of disposal</u>	<u>Net profits for the period from beginning of year to the date of disposal</u>
TSSZ	-1,297,175.94	-119,956.55

4.5 Business combination not under common control during the current reporting period

None.

4.6 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 oversea business entity, the functional currency adopt HKD. The applicable exchange rate is HKD/CNY 0.81070 (the balance sheet date spot rate) for assets and liabilities items; elements of owner's equity of financial statements except undistributed profits, 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 was oversea business entity, the functional currency adopt IDR. The applicable exchange rate is CNY/IDR 1,442.381 (the balance sheet date spot rate) for assets and liabilities items; elements of owner's equity of financial statements except undistributed profits, are translated into the functional currencies using the exchange rate is CNY/IDR 1,439.562 (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 CNY/IDR 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.

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 31/12/2011			Balance as at 31/12/2010		
	Original amount	Foreign exchange rate	Translated amount	Original amount	Foreign exchange rate	Translated amount
Cash in hand						
CNY	462,206.19	1.0000	462,206.19	362,565.28	1.0000	362,565.28
HKD	30,221.20	0.8107	24,500.33	28,777.65	0.8509	24,486.90
USD	32,555.28	6.3009	205,127.56	75,862.95	6.6227	502,417.56
JPY	366,823.80	0.0811	29,750.51	1,291,163.40	0.0813	104,919.94
EUR	13,646.48	8.1625	111,389.39	21,405.48	8.8065	188,507.36
FRF	7.00	6.7085	46.96	7.00	7.0562	49.39
GBP	3.13	9.7116	30.40	3.13	10.2182	31.98
IDR	183,573,396.83	0.0007	127,216.36	0.00	0.0007	0.00
HUF	81,016.00	0.0261	2,114.52	81,016.00	0.0318	2,576.31
Subtotal			<u>962,382.22</u>			<u>1,185,554.72</u>
Demand deposits						
CNY	477,340,456.81	1.0000	477,340,456.81	485,800,029.16	1.0000	485,800,029.16
HKD	111.52	0.8107	90.41	2,038,792.96	0.8509	1,734,808.93
USD	33,397,755.15	6.3009	210,435,915.42	14,924,396.42	6.6227	98,839,800.17
JPY	140,166,876.00	0.0811	11,367,954.14	28,925,718.00	0.0813	2,350,503.84
EUR	276,974.73	8.1625	2,260,806.23	3,175.98	8.8065	27,969.27
IDR	3,498,250,202.02	0.0007	2,424,287.39	0.00	0.0007	0.00
Subtotal			<u>703,829,510.40</u>			<u>588,753,111.37</u>

<u>Items</u>	<u>Balance as at 31/12/2011</u>			<u>Balance as at 31/12/2010</u>		
	<u>Original amount</u>	<u>Foreign exchange rate</u>	<u>Translated amount</u>	<u>Original amount</u>	<u>Foreign exchange rate</u>	<u>Translated amount</u>
Other monetary funds						
CNY	0.00	1.0000	0.00	51,006,441.74	1.0000	51,006,441.74
HKD	0.00	0.8107	0.00	0.00	0.8509	0.00
Subtotal			<u>0.00</u>			<u>51,006,441.74</u>
Total			<u>704,791,892.62</u>			<u>640,945,107.83</u>

5.2 Held for trading financial assets

5.2.1 Disclosure by classification

<u>Items</u>	<u>Fair value as at 31/12/2011</u>	<u>Fair value as at 31/12/2010</u>
Derivative financial assets	<u>4,636,053.22</u>	<u>2,301,579.95</u>
Total	<u>4,636,053.22</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>Balance as at 31/12/2011</u>	<u>Balance as at 31/12/2010</u>
Bank acceptance	2,979,552.00	3,910,322.48
Trade acceptance	<u>0.00</u>	<u>394,580.62</u>
Total	<u>2,979,552.00</u>	<u>4,304,903.10</u>

5.3.2 As at 31 December 2011, the Company has no pledged notes receivable.

5.3.3 As at 31 December 2011, the Company has no discounted or pledged trade acceptance.

5.3.4 As at 31 December 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

<u>Item</u>	<u>Balance as at 31/12/2011</u>	<u>Balance as at 31/12/2010</u>
Interests of fixed deposit	<u>1,646,355.63</u>	<u>128,237.14</u>
Total	<u>1,646,355.63</u>	<u>128,237.14</u>

5.5 Accounts receivable

5.5.1 Disclosure by classification

<u>Items</u>	<u>Balance as at 31/12/2011</u>			
	<u>Carrying amount before impairment allowance</u>		<u>Impairment allowance</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</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	364,313,318.83	86.24	3,870,170.19	1.06
Related party group	58,106,525.66	13.76	0.00	0.00
Subtotal of groups:	<u>422,419,844.49</u>	<u>100.00</u>	<u>3,870,170.19</u>	<u>0.92</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>422,419,844.49</u>	<u>100.00</u>	<u>3,870,170.19</u>	<u>0.92</u>

(Continued)

Items	Balance as at 31/12/2010			
	Carrying amount before impairment allowance		Impairment allowance	
	Amount	% of total	Amount	% of total
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	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
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

Age	Balance as at 31/12/2011			Balance as at 31/12/2010		
	Carrying amount before impairment allowance		Impairment allowance	Carrying amount before impairment allowance		Impairment allowance
	Amount	% of total		Amount	% of total	
Within 1 year	<u>362,781,985.39</u>	<u>99.58</u>	<u>2,338,836.75</u>	<u>372,994,513.84</u>	<u>98.14</u>	<u>2,066,780.32</u>
Including:						
1-90 days	346,974,293.49	95.24	0.00	354,126,985.71	93.18	0.00
91-180 days	12,241,646.46	3.36	1,224,164.65	18,057,005.14	4.75	1,805,700.52
181-270 days	3,341,753.11	0.92	1,002,525.93	720,908.47	0.19	216,272.54
271-365 days	224,292.33	0.06	112,146.17	89,614.52	0.02	44,807.26
1-2 years	661,593.74	0.18	661,593.74	927,868.91	0.24	927,868.91
2-3 years	622,150.00	0.17	622,150.00	2,098.19	0.00	2,098.19
Over 3 years	<u>247,589.70</u>	<u>0.07</u>	<u>247,589.70</u>	<u>6,156,817.17</u>	<u>1.62</u>	<u>6,156,817.17</u>
Total	<u>364,313,318.83</u>	<u>100.00</u>	<u>3,870,170.19</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

Related parties	Carrying amount before impairment allowance	Impairment allowance	Allowance percentage (%)	Reason(s) for allowance
Tsann Kuen (Japan) Enterprise Co., Ltd.	45,190,093.58	0.00	0.00	According to the accounting policy of impairment allowance

<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>
STAR COMGISTIC CAPITAL CO., LTD	9,524,412.88	0.00	0.00	According to the accounting policy of impairment allowance
PT.STAR COMGISTIC INDONESIA	3,304,189.25	0.00	0.00	According to the accounting policy of impairment allowance
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	57,106.95	0.00	0.00	According to the accounting policy of impairment allowance
Thermaster Electronic (Xiamen) Ltd.	<u>30,723.00</u>	<u>0.00</u>	<u>0.00</u>	According to the accounting policy of impairment allowance
Total	<u>58,106,525.66</u>	<u>0.00</u>	<u>0.00</u>	

5.5.4 The major impairment allowance of accounts receivable has been recovered/received during current reporting period

<u>Debtors</u>	<u>Reason(s) for recover</u>	<u>Original basis of impairment allowance</u>	<u>Sum of impairment allowance recognised before recovered</u>	<u>Recovered amounts</u>
SALTON	The balance has been received	According to the accounting policy of impairment allowance	<u>663,610.42</u>	<u>663,610.42</u>
Total			<u>663,610.42</u>	<u>663,610.42</u>

5.5.5 Accounts receivable written off CNY 5,393,837.55 during the current reporting period, including principally the following:

<u>Debtor</u>	<u>Amount written off during the current reporting period</u>	<u>Nature of accounts receivable</u>	<u>Reason(s) for the writing-off</u>	<u>Whether the writing-off resulted from transactions with related parties</u>
DAIKIAL	<u>5,287,684.07</u>	Payment for goods	Deduction for poor quality	No
Total	<u>5,287,684.07</u>			

5.5.6 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 31/12/2011</u>		<u>As at 31/12/2010</u>	
	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>
STAR COMGISTIC CAPITAL CO., LTD.	<u>9,524,412.88</u>	<u>0.00</u>	<u>10,577,697.22</u>	<u>0.00</u>
Total	<u>9,524,412.88</u>	<u>0.00</u>	<u>10,577,697.22</u>	<u>0.00</u>

5.5.7 Details of top five accounts receivable

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 31/12/2011</u>	<u>Age</u>	<u>% of total accounts receivable</u>
Applica Consumer Products, Inc.	Non-related party	106,790,965.33	Within 1 year	25.28
Tsann Kuen (Japan) Enterprise Co., Ltd.	Related party	45,190,093.58	Within 1 year	10.70
SEB Asia Ltd	Non-related party	33,493,547.63	Within 1 year	7.93
Bialetti Industrie Spa	Non-related party	18,551,159.68	Within 1 year	4.39
Russell Hobbs	Non-related party	<u>17,973,637.90</u>	Within 1 year	<u>4.25</u>
Total		<u>221,999,404.12</u>		<u>52.55</u>

5.5.8 Details of accounts receivable balance due from related parties

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 31/12/2011</u>	<u>% of total accounts receivable</u>
Tsann Kuen (Japan) Enterprise Co., Ltd.	Same ultimate holding company	45,190,093.58	10.70
STAR COMGISTIC CAPITAL CO., LTD.	Ultimate holding company	9,524,412.88	2.25

PT. STAR COMGISTIC INDONESIA	Same ultimate holding company	3,304,189.25	0.78
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	Same ultimate holding company	57,106.95	0.01
Thermaster Electronic (Xiamen) Ltd.	The company directly controlled by the key management and closed family members	<u>30,723.00</u>	<u>0.01</u>
Total		<u>58,106,525.66</u>	<u>13.75</u>

5.6 Advances to suppliers

5.6.1 Disclosure by age

<u>Age</u>	<u>Carrying amount as at 31/12/2011</u>		<u>Carrying amount as at 31/12/2010</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Within 1 year	6,909,805.17	99.82	7,103,591.42	82.04
Over 1 year	<u>12,225.00</u>	<u>0.18</u>	<u>1,555,375.10</u>	<u>17.96</u>
Total	<u>6,922,030.17</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 31/12/2011</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>
ACE Group Product Insurance Company Of North America	Non-related party	1,168,341.98	Within 1 year	The implementation of the contract has not completed
PT. STAR COMGISTIC INDONESIA	Related party	894,128.46	Within 1 year	The implementation of the contract has not completed
Shanghai Business Airline Services Co., Ltd.	Non-related party	333,501.00	Within 1 year	The implementation of the contract has not completed
Xinhui Industry Co., Ltd.	Non-related party	203,091.24	Within 1 year	Supplier has not delivered goods
LEONI Electrical Cable (Xiamen) Co., Ltd.	Non-related party	<u>187,699.16</u>	Within 1 year	Supplier has not delivered goods
Total		<u>2,786,761.84</u>		

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

5.6.4 Details of advance to related parties

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 31/12/2011</u>	<u>% of total advance to suppliers</u>
PT. STAR COMGISTIC INDONESIA	Same ultimate holding company	<u>894,128.46</u>	<u>12.92</u>
Total		<u>894,128.46</u>	<u>12.92</u>

5.7 Other receivables

5.7.1 Disclosure by classification

<u>Items</u>	<u>Balance as at 31/12/2011</u>			
	<u>Carrying amount before impairment allowance</u>		<u>Impairment allowance</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</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	28,823,806.51	77.91	761,998.42	2.64
Related party group	4,936,960.37	13.35	0.00	0.00
Subtotal of groups:	<u>33,760,766.88</u>	<u>91.26</u>	<u>761,998.42</u>	<u>2.26</u>
Other receivables belong to individually insignificant but individually assessed for impairment	<u>3,233,788.00</u>	<u>8.74</u>	<u>97,623.00</u>	<u>3.02</u>
Total	<u>36,994,554.88</u>	<u>100.00</u>	<u>859,621.42</u>	<u>2.32</u>

(Continued)

Items	Balance as at 31/12/2010			
	Carrying amount before impairment allowance		Impairment allowance	
	Amount	% of total	Amount	% of total
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	60,394,379.02	97.27	1,669,173.60	2.76
Related party group	0.00	0.00	0.00	0.00
Subtotal of groups:	<u>60,394,379.02</u>	<u>97.27</u>	<u>1,669,173.60</u>	<u>2.76</u>
Other receivables belong to individually insignificant but individually assessed for impairment	<u>1,697,715.00</u>	<u>2.73</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

Age	Balance as at 31/12/2011			Balance as at 31/12/2010		
	Carrying amount before impairment allowance		Impairment allowance	Carrying amount before impairment allowance		Impairment allowance
	Amount	% of total		Amount	% of total	
Within 1 year	28,195,351.55	97.82	133,543.47	59,070,937.13	97.82	345,731.71
Including:						
1-90 days	27,474,513.38	95.32	0.00	57,825,751.16	95.75	0.00
91-180 days	515,820.94	1.79	51,582.10	529,646.80	0.88	52,964.68
181-270 days	102,736.23	0.36	30,820.87	325,012.77	0.54	97,503.83
271-365 days	102,281.00	0.35	51,140.50	390,526.40	0.65	195,263.20
1-2 years	599,409.49	2.08	599,409.49	328,585.62	0.54	328,585.62
2-3 years	5,045.47	0.02	5,045.47	69,270.74	0.11	69,270.74
Over 3 years	<u>24,000.00</u>	<u>0.08</u>	<u>24,000.00</u>	<u>925,585.53</u>	<u>1.53</u>	<u>925,585.53</u>
Total	<u>28,823,806.51</u>	<u>100.00</u>	<u>761,998.42</u>	<u>60,394,379.02</u>	<u>100.00</u>	<u>1,669,173.60</u>

5.7.3 Other receivables according to the related party group for measurement of impairment allowances

Related parties	Carrying amount before impairment allowance	Impairment allowance	Allowance percentage (%)	Reason(s) for allowance
Suzhou Taihu Travel International Co., Ltd.	51,557.00	0.00	0.00	According to the accounting policy of impairment allowance
PT. STAR COMGISTIC INDONESIA	<u>4,885,403.37</u>	<u>0.00</u>	<u>0.00</u>	According to the accounting policy of impairment allowance
Total	<u>4,936,960.37</u>	<u>0.00</u>	<u>0.00</u>	

5.7.4 The major impairment allowance of other receivables has been recovered/received during current

reporting period

<u>Debtors</u>	<u>Reason(s) for recover</u>	<u>Original basis of impairment allowance</u>	<u>Sum of impairment allowance recognised before recovered</u>	<u>Recovered amount</u>
Shanghai Yaoying Trading Company	The balance has been received	According to the accounting policy of impairment allowance	15,552.00	15,552.00
Total			15,552.00	15,552.00

5.7.5 Other receivables belong to individually insignificant but individually assessed for impairment

<u>Companies</u>	<u>Carrying amount before impairment allowance</u>	<u>Impairment allowance</u>	<u>Allowance percentage (%)</u>	<u>Reason(s) for allowance</u>
China Air Xin Gang Guarantee Co., Ltd.	1,680,000.00	0.00	0.00	According to the accounting policy of impairment allowance
China Export & Credit Insurance Corporation, Fujian Branch	648,450.00	0.00	0.00	According to the accounting policy of impairment allowance
ICBC Beijing Branch, Property custody account	300,000.00	0.00	0.00	According to the accounting policy of impairment allowance
Xiamen Jingyuan Steel Co., Ltd.	40,000.00	0.00	0.00	According to the accounting policy of impairment allowance
Hapag-Lloyd (China) Shipping Ltd., Xiamen Branch	467,715.00	0.00	0.00	According to the accounting policy of impairment allowance
Shanghai Dongmei Angel Airline Services Co., Ltd.	97,623.00	97,623.00	100.00	Cannot be received, estimated as baddebts.
Total	3,233,788.00	97,623.00	3.02	

5.7.6 Other receivables written off CNY 990,464.46 during the current reporting period, including principally the following:

<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>
SALTON	Advance payment	467,931.04	Cannot recovered	No

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

5.7.8 Details of top five other receivables

<u>Debtors</u>	<u>Relationship with the Company</u>	<u>Carrying amount as at 31/12/2011</u>	<u>Age</u>	<u>% of total other receivables</u>
Dongbei Photoelectricity Technology Co., Ltd.	Non-related party	11,955,926.78	1-90 days	32.32
PT. STAR COMGISTIC INDONESIA	Related party	4,885,403.37	1-90 days	13.21
Fujian Hongyuan Group Resources Reclamation Co., Ltd.	Non-related party	1,481,577.68	1-90 days	4.00
Zhangzhou Haikun Metal Products Co., Ltd.	Non-related party	1,468,859.50	1-90 days	3.97
Zhangzhou Boer Metal Products Co., Ltd.	Non-related party	1,099,578.02	1-90 days	2.97
Total		20,891,345.35		56.47

5.8 Inventories

5.8.1 Disclosure by classification

	<u>As at 31/12/2011</u>			<u>As at 31/12/2010</u>		
<u>Items</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>
Raw material	153,874,727.01	16,063,041.27	137,811,685.74	152,246,727.73	9,111,759.62	143,134,968.11
Work in progress	26,668,091.66	0.00	26,668,091.66	15,398,841.08	0.00	15,398,841.08

self-manufactured semi-finished goods	25,281,042.27	2,511,885.13	22,769,157.14	36,412,428.23	2,215,173.10	34,197,255.13
Finished goods	119,712,901.67	2,169,904.12	117,542,997.55	83,934,772.60	1,557,791.33	82,376,981.27
Low-value consumables	2,543,108.59	0.00	2,543,108.59	1,242,488.28	0.00	1,242,488.28
Materials in transit	<u>7,539,131.63</u>	<u>0.00</u>	<u>7,539,131.63</u>	<u>238,950.08</u>	<u>0.00</u>	<u>238,950.08</u>
Total	<u>335,619,002.83</u>	<u>20,744,830.52</u>	<u>314,874,172.31</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

Items	Carrying amount as at 31/12/2010	Recognised during the current reporting period	Decrease in the current reporting period		Carrying amount as at 31/12/2011	Recovered value at % of total of inventories
			Recovered	Written off		
Raw material	9,111,759.62	9,370,834.29	0.00	2,419,552.64	16,063,041.27	0.00
self-manufactured semi-finished goods	2,215,173.10	793,594.57	0.00	496,882.54	2,511,885.13	0.00
Finished goods	<u>1,557,791.33</u>	<u>1,393,330.84</u>	<u>0.00</u>	<u>781,218.05</u>	<u>2,169,904.12</u>	<u>0.00</u>
Total	<u>12,884,724.05</u>	<u>11,557,759.70</u>	<u>0.00</u>	<u>3,697,653.23</u>	<u>20,744,830.52</u>	<u>0.00</u>

5.9 Non-current assets due within one year

Item	Carrying amount as at 31/12/2011	Carrying amount as at 31/12/2010
Long-term receivables due within one year - installment receivables for transferred assets	2,751,395.63	0.00
Less: Impairment allowance of long-term receivables due within one year	<u>34,375.80</u>	<u>0.00</u>
Total	<u>2,717,019.83</u>	<u>0.00</u>

5.10 Long-term receivables

5.10.1 Circumstance of long-term receivables

Items	Carrying amount as at 31/12/2011			Carrying amount as at 31/12/2010		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Installment receivables of transferred assets	51,398,812.08	0.00	51,398,812.08	74,892,982.80	7,721.47	74,885,261.33
Less: unrealized financing gains	<u>1,647,359.35</u>	<u>0.00</u>	<u>1,647,359.35</u>	<u>3,698,513.59</u>	<u>0.00</u>	<u>3,698,513.59</u>
Total	<u>49,751,452.73</u>	<u>0.00</u>	<u>49,751,452.73</u>	<u>71,194,469.21</u>	<u>7,721.47</u>	<u>71,186,747.74</u>

5.10.2 The amount of installment receivables of transferred assets including CNY 39,923,170.80 for the TKL transferred operating assets and business opportunities to Shanghai Sigma Metals Inc., please refer Note 10.4 for details.

5.11 Long-term equity investments

5.11.1 Circumstance of long-term equity investments

Investee	Carrying amount as at 31/12/2010	Movement during the current reporting period	Carrying amount as at 31/12/2011	Impairment allowance	Impairment allowance recognised during the current reporting period
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>
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Investee	<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 year</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>

5.12 Investment property

5.12.1 Investment property measured using the historical cost convention

Items	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Carrying amount as at 31/12/2011</u>
1. Cost:	<u>66,316,293.90</u>	<u>80,491,611.38</u>	<u>213,240.96</u>	<u>146,594,664.32</u>
Houses and buildings	66,316,293.90	51,231,033.87	213,240.96	117,334,086.81
Land use rights	0.00	29,260,577.51	0.00	29,260,577.51
		<u>Newly increased</u>	<u>Recognition for current year</u>	
2. Cumulative depreciation and amortisation:	<u>36,972,063.12</u>	<u>40,122,701.38</u>	<u>4,033,729.21</u>	<u>81,009,345.86</u>
Houses and buildings	36,972,063.12	30,438,049.38	119,147.85	71,022,264.10
Land use rights	0.00	9,684,652.00	0.00	9,987,081.76
3. Carrying amount before impairment allowance	<u>29,344,230.78</u>			<u>65,585,318.46</u>
Houses and buildings	29,344,230.78			46,311,822.71
Land use rights	0.00			19,273,495.75
4. Cumulative impairment allowance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Houses and buildings	0.00	0.00	0.00	
Land use rights	0.00	0.00	0.00	
5. Net carrying amount	<u>29,344,230.78</u>			<u>65,585,318.46</u>
Houses and buildings	29,344,230.78			46,311,822.71
Land use rights	0.00			19,273,495.75

5.12.2 The depreciation and amortisation of investment property recognised during the current reporting period amount to CNY4,033,729.21.

5.12.3 During the current reporting period, the increase of cost and accumulated depreciation and accumulated amortisation of investment property are mainly due to transferred from fixed assets (houses and buildings, land use rights), and accumulated depreciation of houses and buildings, as well as the accumulated amortisation of land use rights.

5.12.4 Details of temporary idle assets as at the end of the period

Item	<u>Historical cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment allowance</u>	<u>Net carrying amount</u>	<u>Estimated start use date</u>
Houses and buildings	<u>26,253,432.37</u>	<u>17,466,262.02</u>	<u>0.00</u>	<u>8,787,170.35</u>	May 2012

Total	<u>26,253,432.37</u>	<u>17,466,262.02</u>	<u>0.00</u>	<u>8,787,170.35</u>
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5.12.5 Investment property with pending ownership registration

Item	Historical cost	Accumulated depreciation	Accumulated impairment allowance	Net carrying amount	Reasons
Lvyuan three country villa	2,407,473.68	1,276,786.31	0.00	1,130,687.37	The approval process uncompleted

5.12.6 Details of restricted investment property: the net carrying amount of investment property of TKS amounting to CNY 2,151,358.22 is land use rights, that is belong to collective land, TKS cannot be used for transfer.

5.13 Fixed assets

5.13.1 Circumstance of fixed assets

Items	Carrying amount as at 31/12/2010	Increase during the current reporting period	Decrease during the current reporting period	Carrying amount as at 31/12/2011
1. Cost	<u>2,255,917,726.98</u>	<u>37,838,836.44</u>	<u>443,461,626.89</u>	<u>1,850,294,936.53</u>
Houses and buildings	137,907,258.96	0.00	58,403,151.45	79,504,107.51
Machineries	351,142,349.67	3,861,705.07	33,356,471.10	321,647,583.64
Electronic device, modules and others	1,670,303,456.15	33,878,131.37	339,273,640.71	1,364,907,946.81
Vehicles	35,142,533.50	99,000.00	10,811,050.35	24,430,483.15
Improvement expense of leased fixed assets	61,422,128.70	0.00	1,617,313.28	59,804,815.42
		Newly increased	Recognition for current year	
2. Accumulated depreciation	<u>1,821,546,379.13</u>	<u>0.00</u>	<u>93,047,556.83</u>	<u>1,521,146,111.28</u>
Houses and buildings	72,155,779.79	0.00	3,144,852.21	35,917,863.66
Machineries	160,485,645.44	0.00	56,732,110.12	194,618,341.61
Electronic device, modules and others	1,530,466,655.40	0.00	26,889,414.30	1,233,526,743.89
Vehicles	30,808,372.55	0.00	412,120.56	23,925,101.93
Improvement expense of leased fixed assets	27,629,925.95	0.00	5,869,059.64	33,158,060.19
3. Carrying amount before impairment allowance	<u>434,371,347.85</u>			<u>329,148,825.25</u>
Houses and buildings	65,751,479.17			43,586,243.85
Machineries	190,656,704.23			127,029,242.03
Electronic device, modules and others	139,836,800.75			131,381,202.92
Vehicles	4,334,160.95			505,381.22
Improvement expense of leased fixed assets	33,792,202.75			26,646,755.23
4. Accumulated impairment allowance	<u>66,621,346.52</u>	<u>1,616,005.92</u>	<u>12,280,621.75</u>	<u>55,956,730.69</u>
Houses and buildings	0.00	0.00	0.00	0.00
Machineries	26,011,180.18	1,591,644.22	0.00	27,602,824.40
Electronic device, modules and others	39,201,359.80	0.00	12,195,475.06	27,005,884.74

<u>Items</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Carrying amount as at 31/12/2011</u>
Vehicles	94,706.48	0.00	85,146.69	9,559.79
Improvement expense of leased fixed assets	1,314,100.06	24,361.70	0.00	1,338,461.76
5.Net carrying amount	<u>367,750,001.33</u>			<u>273,192,094.56</u>
Houses and buildings	65,751,479.17			43,586,243.85
Machineries	164,645,524.05			99,426,417.63
Electronic device, modules and others	100,635,440.95			104,375,318.18
Vehicles	4,239,454.47			495,821.43
Improvement expense of leased fixed assets	32,478,102.69			25,308,293.47

5.13.2 Within the increase of accumulated impairment allowance during the current reporting period, CNY1,616,005.92 is mainly due to the TKL recognised impairment allowance for their idle assets; Within the decrease of accumulated impairment allowance during the current reporting period, CNY12,280,621.75 is mainly due to reverse impairment allowance of fixed assets that has been sold to satellite factories.

5.13.3 Cost of fixed assets transferred from construction in progress during the current reporting period amounts to CNY 6,363,490.81.

5.13.4 Within the increase of accumulated depreciation during the current reporting period, CNY 93,047,556.83 is the depreciation recognised for the current reporting period.

5.13.5 Details of temporary idle assets as at the end of the period

<u>Items</u>	<u>Historical cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment allowance</u>	<u>Net carrying amount</u>	<u>Estimated start use date</u>
Machineries	64,655,567.63	27,182,371.25	27,560,783.91	9,912,412.47	Jan 2013 to Jan 2015
Electronic device, modules and others	54,924,446.68	32,584,281.87	21,399,087.80	941,077.01	Mar 2012 to Jan 2015
Vehicles	379,055.43	363,188.97	9,559.79	6,306.67	Jan 2013 to Jan 2015
Improvement expense of leased fixed assets	<u>819,902.33</u>	<u>211,587.71</u>	<u>531,598.74</u>	<u>76,715.88</u>	Jan 2015
Total	<u>120,778,972.07</u>	<u>60,341,429.80</u>	<u>49,501,030.24</u>	<u>10,936,512.03</u>	

5.13.6 Details of fixed assets held for sale as at the end of the period

<u>Items</u>	<u>Net carrying amount</u>	<u>Fair value</u>	<u>Estimated costs to sale</u>	<u>Expected disposal time</u>
Machineries	45,867.21	64,500.00	1,240.38	January 2012
Electronic device, modules and others	637,848.40	845,771.64	122,889.90	January 2012
Vehicles	<u>0.00</u>	<u>9,895.75</u>	<u>190.30</u>	January 2012
Total	<u>683,715.61</u>	<u>920,167.39</u>	<u>124,320.58</u>	January 2012

5.13.7 As at 31 December 2011, the Company has no fixed assets acquired under financial leases.

5.13.8 Details of fixed assets let under operating leases as at the end of the period

<u>Items</u>	<u>Historical cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment allowance</u>	<u>Net carrying amount</u>
Machineries	5,180,285.43	2,086,871.19	0.00	3,093,414.24
Electronic device, modules and others	7,650,251.88	6,335,711.57	53,066.71	1,261,473.60
Vehicles	<u>46,500.00</u>	<u>46,500.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>12,877,037.31</u>	<u>8,469,082.76</u>	<u>53,066.71</u>	<u>4,354,887.84</u>

5.13.9 Fixed assets with pending ownership registration

<u>Items</u>	<u>Historical cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment allowance</u>	<u>Net carrying amount</u>	<u>Reasons</u>
Qingying garden	805,318.50	181,197.00	0.00	624,121.50	Being processed
Lvyuan three country villa	<u>13,414,176.03</u>	<u>7,143,646.74</u>	<u>0.00</u>	<u>6,270,529.29</u>	The approval process uncompleted
Total	<u>14,219,494.53</u>	<u>7,324,843.74</u>	<u>0.00</u>	<u>6,894,650.79</u>	

5.13.10 As at 31 December 2011, the Company has no pledged and warranted fixed assets.

5.14 Construction in progress

5.14.1 Details of construction in progress

<u>Items</u>	<u>As at 31/12/2011</u>			<u>As at 31/12/2010</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>
Work in progress of modules	2,023,801.59	0.00	2,023,801.59	2,602,516.56	0.00	2,602,516.56
Renovation project	1,806,118.35	0.00	1,806,118.35	240,000.00	0.00	240,000.00
Transformer room project	<u>2,991,529.49</u>	<u>0.00</u>	<u>2,991,529.49</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>6,821,449.43</u>	<u>0.00</u>	<u>6,821,449.43</u>	<u>2,842,516.56</u>	<u>0.00</u>	<u>2,842,516.56</u>

5.14.2 Movement of construction in progress

<u>Items</u>	<u>Budgeted cost</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Transferred to fixed assets during the current reporting period</u>	<u>Other decrease</u>	<u>Carrying amount as at 31/12/2011</u>
Work in progress of modules	14,201,977.74	2,602,516.56	5,941,897.30	6,363,490.81	157,121.46	2,023,801.59
Renovation project	3,229,753.03	240,000.00	1,905,418.35	0.00	339,300.00	1,806,118.35
Transformer room project	<u>12,050,000.00</u>	<u>0.00</u>	<u>2,991,529.49</u>	<u>0.00</u>	<u>0.00</u>	<u>2,991,529.49</u>
Total	<u>29,481,730.77</u>	<u>2,842,516.56</u>	<u>10,838,845.14</u>	<u>6,363,490.81</u>	<u>496,421.46</u>	<u>6,821,449.43</u>

(Continued)

<u>Items</u>	<u>Weight of cost to date in budgeted cost (%)</u>	<u>Stage of completion (%)</u>	<u>Cumulative interests capitalised</u>	<u>Including: interests capitalized during the current reporting period</u>	<u>Capitalisation rate applicable to the current reporting period (%)</u>	<u>Source of finance</u>
Work in progress of modules	60.16	Partly completed	0.00	0.00	0.00	Self-owned
Renovation project	66.43	Some projects has been completed	0.00	0.00	0.00	Self-owned
Transformer room project	24.83	Project uncompleted	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	Self-owned
Total			<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	

5.15 Intangible assets and accumulated amortization

5.15.1 Circumstance of intangible assets

<u>Items</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Carrying amount as at 31/12/2011</u>
1. Cost	<u>45,912,402.19</u>	<u>505,735.05</u>	<u>30,625,342.90</u>	<u>15,792,794.34</u>
Land use rights	29,560,727.51	0.00	29,260,577.51	300,150.00
Software	16,351,674.68	505,735.05	1,364,765.39	15,492,644.34
2. Accumulated amortisation	<u>20,890,997.84</u>	<u>2,436,438.14</u>	<u>11,049,417.39</u>	<u>12,278,018.59</u>
Land use rights	9,476,482.78	325,814.47	9,684,652.00	117,645.25
Software	11,414,515.06	2,110,623.67	1,364,765.39	12,160,373.34
3. Carrying amount before impairment allowance	<u>25,021,404.35</u>			<u>3,514,775.75</u>
Land use rights	20,084,244.73			182,504.75
Software	4,937,159.62			3,332,271.00
4. Accumulated 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>3,514,775.75</u>
Land use rights	20,084,244.73			182,504.75
Software	4,937,159.62			3,332,271.00

5.15.2 Within the increase of amortisation of intangible assets during the current reporting period, CNY 2,436,438.14 is the amortisation recognised for the current reporting period.

5.15.3 CNY 99,325,146.86 is research and development expenditure incurred during the current reporting period, that has been recognised in current profits and losses.

5.16 Goodwill

<u>Investee</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Carrying amount as at 31/12/2011</u>	<u>Accumulated impairment allowance as at 31/12/2011</u>
TSST	71,870.08	0.00	0.00	71,870.08	71,870.08
TSD	800,109.01	0.00	0.00	800,109.01	800,109.01
TSXT	125,000.00	0.00	0.00	125,000.00	125,000.00
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>996,979.09</u>

The decrease of goodwill during the current reporting period is due to reverse the long-term equity investment by disposed of TSSZ. On the balance sheet date, the Company has performed impairment test

for goodwill, and provision for impairment allowance in full amounts.

5.17 Long-term deferred expenses

5.17.1 Details of long-term deferred expense

<u>Items</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Amortisation for the current reporting period</u>	<u>Other decrease during the current reporting period</u>	<u>Carrying amount as at 31/12/2011</u>
Telecommunications engineering	145,000.01	280,500.00	328,875.01	59,625.00	37,000.00
SUN computer service fees	141,666.76	0.00	100,000.08	0.00	41,666.68
Internet charges	165,984.00	0.00	104,832.00	0.00	61,152.00
Houses and buildings renovation expenses	5,268,167.35	2,900,000.00	1,428,042.34	13,217.80	6,726,907.21
Landscape engineering	145,340.04	0.00	32,298.00	0.00	113,042.04
Others	<u>87,261.09</u>	<u>66,100.00</u>	<u>121,694.44</u>	<u>31,666.65</u>	<u>0.00</u>
Total	<u>5,953,419.25</u>	<u>3,246,600.00</u>	<u>2,115,741.87</u>	<u>104,509.45</u>	<u>6,979,767.93</u>

5.18 Deferred tax assets and deferred tax liabilities

5.18.1 Recognized deferred tax assets and deferred tax liabilities

<u>Items</u>	<u>Balance as at 31/12/2011</u>	<u>Balance as at 31/12/2010</u>
Deferred tax assets:		
Assets impairment allowance	10,828,805.45	11,791,791.49
Accrued expenses	928,714.68	834,257.00
Accrued liabilities	0.00	0.00
Payroll payable	4,969,893.74	0.00
Deductible losses	0.00	15,633,491.63
Unrealized profits from intragroup transactions	<u>266,331.62</u>	<u>120,018.97</u>
Total	<u>16,993,745.49</u>	<u>28,379,559.09</u>
Deferred tax liabilities:		
Held for trading financial assets	695,407.98	345,236.99
Fair value changes of available-for-sale financial assets that recognized into capital reserves	<u>0.00</u>	<u>0.00</u>
Total	<u>695,407.98</u>	<u>345,236.99</u>

5.18.2 Details of unrecognized deferred tax assets

<u>Items</u>	<u>Balance as at 31/12/2011</u>	<u>Balance as at 31/12/2010</u>
Impairment allowance for fixed assets	2,335,363.04	2,690,886.65
Impairment allowance for accounts receivable	105,552.06	353,234.94
Accrued expenses	6,690,430.50	0.00

<u>Items</u>	<u>Balance as at 31/12/2011</u>	<u>Balance as at 31/12/2010</u>
Impairment allowance for inventories	0.00	0.00
Payroll payable	424,973.48	0.00
Recoverable losses	34,210,348.27	40,955,512.67
Impairment allowance for long-term equity investments	<u>32,661,635.73</u>	<u>32,661,635.73</u>
Total	<u>76,428,303.08</u>	<u>76,661,269.99</u>

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

<u>Particular Year</u>	<u>Balance as at 31/12/2011</u>	<u>Balance as at 31/12/2010</u>
Year 2011	0.00	94,764,749.04
Year 2012	14,799,782.69	14,801,789.69
Year 2013	76,562,547.41	76,564,555.43
Year 2014	17,108,518.70	20,800,260.12
Year 2015	17,552,540.73	14,556,627.10
Year 2016	<u>10,818,003.55</u>	<u>0.00</u>
Total	<u>136,841,393.08</u>	<u>221,487,981.38</u>

5.18.4 Details of temporary differences

<u>Items</u>	<u>Deductible temporary differences</u>	<u>Taxable temporary differences</u>
Impairment allowance for fixed assets	46,615,278.52	0.00
Impairment allowance for inventories	20,744,830.52	0.00
Impairment allowance for receivables	4,341,959.16	0.00
Accrued expenses	5,315,475.14	0.00
Payroll payable	33,132,624.90	0.00
Recoverable losses	0.00	0.00
Unrealized profits from intragroup transactions	1,065,326.49	0.00
Held for trading financial assets	<u>0.00</u>	<u>4,636,053.22</u>
Total	<u>111,215,494.73</u>	<u>4,636,053.22</u>

5.19 Impairment allowance for assets

<u>Items</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>		<u>Carrying amount as at 31/12/2011</u>
			<u>Recovered</u>	<u>Written off</u>	
Impairment allowance for receivables	10,830,459.66	4,523,448.26	4,205,438.50	6,384,302.01	4,764,167.41
Impairment allowance for inventories	12,884,724.05	11,557,759.70	0.00	3,697,653.23	20,744,830.52
Impairment allowance for fixed assets	66,621,346.52	1,616,005.92	0.00	12,280,621.75	55,956,730.69
Impairment allowance for goodwill	<u>0.00</u>	<u>996,979.09</u>	<u>0.00</u>	<u>0.00</u>	<u>996,979.09</u>

Total	<u>90,336,530.23</u>	<u>18,694,192.97</u>	<u>4,205,438.50</u>	<u>22,362,576.99</u>	<u>82,462,707.71</u>
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5.20 Notes payable

5.20.1 Disclosure by classification

<u>Items</u>	<u>Amount Outstanding as at 31/12/2011</u>	<u>Amount Outstanding as at 31/12/2010</u>
Bank acceptance	0.00	71,962,430.01
Trade acceptance	<u>44,434,948.83</u>	<u>5,199,148.37</u>
Total	<u>44,434,948.83</u>	<u>77,161,578.38</u>

5.20.2 Notes payable expected to mature during the next reporting period amount to CNY 44,434,948.83.

The maturity date is Jan-Jun 2012.

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

5.21 Accounts payable

5.21.1 Age analysis

<u>Age</u>	<u>Amount Outstanding as at 31/12/2011</u>	<u>Amount Outstanding as at 31/12/2010</u>
Within 1 year	856,553,455.40	834,687,604.32
Over 1 year	<u>1,102,979.20</u>	<u>1,817,673.34</u>
Total	<u>857,656,434.60</u>	<u>836,505,277.66</u>

5.21.2 The details of significant accounts payable remaining unsettled for more than one year

<u>Creditors</u>	<u>Amounts outstanding as at 31/12/2011</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>	<u>Post balance sheet date repayment</u>
Ningbo Chaochao Electrical Equipment Co., Ltd.	398,500.46	1-2 years	Temporary unsettlement	0.00
Shanghai Hualian Tianmai Lacquered Plate Co., Ltd.	90,423.57	2-3 years	Temporary unsettlement	0.00
C.E.M.E.S.P.A	60,157.63	2-3 years	Temporary unsettlement	0.00
Total	<u>549,081.66</u>			<u>0.00</u>

5.21.3 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>Nature of balance</u>	<u>Amount Outstanding as at 31/12/2011</u>	<u>Amount Outstanding as at 31/12/2010</u>
STAR COMGISTIC CAPITAL CO., LTD.	Purchase of materials	<u>3,937,550.43</u>	<u>2,621,183.79</u>
Total		<u>3,937,550.43</u>	<u>2,621,183.79</u>

5.21.4 Details of accounts payable due to related parties

<u>Creditors</u>	<u>Content of balance</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Amount outstanding as at 31/12/2010</u>
Thermaster Electronic (Xiamen) Ltd.	material purchase	14,467,379.44	5,291,500.93
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	acceptance services	403,640.17	0.00

PT.STARCOMGISTIC INDONESIA	material purchase	126,194.37	0.00
STAR COMGISTIC CAPITAL CO., LTD.	material purchase	3,937,550.43	2,621,183.79
STAR TRAVEL SERVICE CORP.	acceptance services	<u>30,783.68</u>	<u>832,348.34</u>
Total		<u>18,965,548.09</u>	<u>8,745,033.06</u>

5.22 Advances from customers

5.22.1 Age analysis

<u>Age</u>	<u>Amount Outstanding as at 31/12/2011</u>	<u>Amount Outstanding as at 31/12/2010</u>
Within 1 year	12,399,959.00	14,052,686.12
Over 1 year	<u>1,528,904.22</u>	<u>1,822,549.14</u>
Total	<u>13,928,863.22</u>	<u>15,875,235.26</u>

5.22.2 The details of significant advances from customers remaining unsettled for more than one year

<u>Customers</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>
BIALETTI INDUSTRIE SPA	113,844.69	1-2 years	Temporary unsettlement
ZOJIRUSHI CORPORATION	145,706.26	1-4 years	Temporary unsettlement
Total	<u>259,550.95</u>		

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

5.22.4 During the current reporting period, the Company has no advances from related parties.

5.23 Employee benefits payable

5.23.1 Details of employee benefits payable

<u>Items</u>	<u>Amount outstanding as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Amount outstanding as at 31/12/2011</u>
1.Wages, salaries and subsidies	29,763,873.87	244,077,875.86	243,486,826.77	30,354,922.96
2.Employee welfare	0.00	9,503,188.58	9,503,188.58	0.00
3.Social insurance:	<u>208,562.31</u>	<u>19,483,965.20</u>	<u>17,201,319.33</u>	<u>2,491,208.18</u>
Including: ①Medical insurance	31,816.91	5,641,091.49	5,619,951.44	52,956.96
②Basic pension	161,668.99	9,564,717.13	7,540,001.08	2,186,385.04
③Life annuity	0.00	0.00	0.00	0.00
④Redundancy insurance	9,086.84	1,135,727.44	900,067.33	244,746.95
⑤Employment injury insurance	4,624.94	1,923,605.07	1,925,178.19	3,051.82
⑥Maternity insurance	1,364.63	1,218,824.07	1,216,121.29	4,067.41
4.Housing provident fund	7,936,079.64	6,172,339.82	5,867,049.24	8,241,370.22
5.Redundancy benefits	0.00	0.00	0.00	0.00
6.Labour union fee and employee education fee	0.00	147,194.50	147,194.50	0.00
7.Non-monetary welfare	0.00	3,605.41	3,605.41	0.00
8.Redundancy compensation	3,990.00	14,147,801.70	9,410,498.70	4,741,293.00
9. Others	0.00	0.00	0.00	0.00
Including: Cash-settled share-based payments	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>37,912,505.82</u>	<u>293,535,971.07</u>	<u>285,619,682.53</u>	<u>45,828,794.36</u>

5.23.2 In the amounts outstanding as at 31 December 2010, no amount belongs to default.

5.23.3 The amounts outstanding as at 31 December 2011 are salaries and bonuses payable for December 2011, and the amounts has been paid in January 2012.

5.24 Taxes payable

<u>Items</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Amount outstanding as at 31/12/2010</u>
Business tax	775,120.90	726,979.99
Corporate income tax	741,321.45	186,649.15
Value added tax	-40,039,415.99	25,599,931.09
Personal income tax	416,969.29	355,256.02
Education surcharge	2,616,308.48	87,235.01
Urban maintenance and construction surcharge	2,564,051.30	62,962.53
Others	<u>21,616,419.57</u>	<u>21,343,311.69</u>
Total	<u>-11,309,225.00</u>	<u>48,362,325.48</u>

5.25 Other payables

5.25.1 Age analysis

<u>Age</u>	<u>Amount Outstanding as at 31/12/2011</u>	<u>Amount Outstanding as at 31/12/2010</u>
Within 1 year	83,530,442.82	84,470,030.06
Over 1 year	<u>11,034,133.73</u>	<u>6,227,132.98</u>
Total	<u>94,564,576.55</u>	<u>90,697,163.04</u>

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

<u>Creditors</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Age</u>	<u>Reason(s) for unsettlement</u>	<u>Post balance sheet date repayment</u>
Zhangzhou Huadaxin Metal Co., Ltd.	600,000.00	2-3 years	guarantee deposit	0.00
Xiamen Jingjin Metal Co., Ltd.	600,000.00	2-3 years	guarantee deposit	0.00
Fujian Hongyuan Group Resources Reclamation Co., Ltd.	290,000.00	2-3 years	guarantee deposit	260,000.00
Fujian Province Zhangzhou SIGMA Metal, INC	800,000.00	3-4 years	guarantee deposit	0.00
XIAMEN HEXING PACKAGING PRINTING CO., LTD	<u>548,720.00</u>	1-2 years	Indirect materials payable	<u>0.00</u>
Total	<u>2,838,720.00</u>			<u>260,000.00</u>

5.25.3 Details of other payables to entities which own 5% or more of the shares of the Company during the current reporting period

<u>Shareholders</u>	<u>Nature of balance</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Amount outstanding as at 31/12/2010</u>
STAR COMGISTIC CAPITAL CO., LTD.	Technology rewards	<u>4,056,909.93</u>	<u>4,689,060.68</u>
Total		<u>4,056,909.93</u>	<u>4,689,060.68</u>

5.25.4 Details of other payables due to related parties

<u>Creditors</u>	<u>Content of balance</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Amount outstanding as at 31/12/2010</u>
Tsann Kuen USA, Inc.	After-sales service charge	129,552.49	138,557.28
Tsann Kuen Japan Co., Ltd.	Sales commission and expanses for quality of sold products	11,660,846.68	2,213,246.77
Thermaster Electronic (Xiamen) Ltd.	Material purchase	0.00	79,475.91
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	Acceptance services	38,803.46	0.00
PT.STARCOMGISTIC INDONESIA	Purchase equipment	1,836,200.72	0.00
Xiamen Tsann Kuen Trading Co., Ltd.	Rental deposit and pay in advance	7,347,059.39	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Technology rewards	4,056,909.93	4,689,060.68
STAR TRAVEL SERVICE CORP.	Acceptance services	<u>0.00</u>	<u>162,302.37</u>
Total		<u>25,069,372.67</u>	<u>7,282,643.01</u>

5.26 Other non-current liabilities

<u>Item</u>	<u>Amount outstanding as at 31/12/2011</u>	<u>Amount outstanding as at 31/12/2010</u>
Unrealized profits of installment receivables of transferred assets	<u>39,923,170.80</u>	<u>39,746,220.40</u>
Total	<u>39,923,170.80</u>	<u>39,746,220.40</u>

The amount of other non-current liabilities including CNY 39,923,170.80 for the unrealized profits from TKL transferred assets and business opportunities to Shanghai Sigma Metals Inc., please refer Note 10.5 for details.

5.27 Share capital

Unit : shares

<u>Items</u>	<u>Movements during the current reporting period (+, -, -)</u>						<u>Amount as at 31/12/2011</u>
	<u>Amount as at 31/12/2010</u>	<u>Share issue</u>	<u>Bonus issue</u>	<u>Conversion from reserves</u>	<u>Others</u>	<u>Subtotal</u>	
1.Unlisted shares							
(1) Sponsor shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including :	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by domestic investors	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares held by foreign investors	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2) Raising shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(3) Internal staff shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(4) preference shares or others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including: Transferrable shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Unlisted shares	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
2.Listed shares							
Domestically listed foreign shares	1,112,350,077.00	0.00	0.00	0.00	0.00	0.00	1,112,350,077.00

<u>Items</u>	<u>Movements during the current reporting period (+, -, —)</u>						<u>Amount as at 31/12/2011</u>
	<u>Amount as at 31/12/2010</u>	<u>Share issue</u>	<u>Bonus issue</u>	<u>Conversion from reserves</u>	<u>Others</u>	<u>Subtotal</u>	
Including : Executives shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Listed shares	<u>1,112,350,077.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,112,350,077.00</u>
3.Restricted listed shares	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
4.Total shares	<u>1,112,350,077.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,112,350,077.00</u>

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

5.28 Capital reserves

<u>Categories</u>	<u>Amount as at 31/12/2010</u>	<u>Increase during the current reporting period</u>	<u>Decrease during the current reporting period</u>	<u>Amount as at 31/12/2011</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>

There are no changes for capital reserves during the current reporting period.

5.29 Undistributed profit

<u>Items</u>	<u>Amount as at 31/12/2011</u>	<u>Amount as at 31/12/2010</u>
Pre-adjustment balance brought forward	-775,973,855.22	-840,347,470.50
Total adjustment to balance brought forward	0.00	0.00
Post-adjustment balance brought forward	-775,973,855.22	-840,347,470.50
Add: Net profit attributable to owners of the parent	9,758,413.34	64,373,615.28
Less: Transferred to statutory surplus reserve	0.00	0.00
Less: Transferred to discretionary surplus reserve	0.00	0.00
Less: Transferred to provision for general risks	0.00	0.00
Less: Dividends payable	0.00	0.00
Less: Dividends converted to share capital	<u>0.00</u>	<u>0.00</u>
Balance carrying forward	<u>-766,215,441.88</u>	<u>-775,973,855.22</u>

5.30 Operating revenues and costs

5.30.1 Operating revenues

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Revenues from principal operating activities	2,823,631,269.37	3,262,727,282.25
Revenues from other operating activities	<u>90,753,983.67</u>	<u>71,668,966.48</u>
Total operating revenues	<u>2,914,385,253.04</u>	<u>3,334,396,248.73</u>
Operating costs for principal operating activities	2,510,609,598.23	2,876,686,937.68
Operating costs for other operating activities	<u>53,194,158.73</u>	<u>39,842,003.88</u>
Total operating costs	<u>2,563,803,756.96</u>	<u>2,916,528,941.56</u>

5.30.2 Revenues from principal operating activities by products

<u>Products</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
	<u>Operating revenues</u>	<u>Operating costs</u>	<u>Operating revenues</u>	<u>Operating costs</u>
Catering and Cooking	1,384,093,361.52	1,233,937,748.36	1,586,236,437.51	1,361,956,067.68
Home helper	1,029,268,750.52	919,238,090.97	1,195,914,512.65	1,081,892,443.24
Tea/Coffee	310,681,466.19	269,262,009.26	353,729,280.06	323,268,635.46
Others	<u>99,587,691.14</u>	<u>88,171,749.64</u>	<u>126,847,052.03</u>	<u>109,569,791.30</u>
Total	<u>2,823,631,269.37</u>	<u>2,510,609,598.23</u>	<u>3,262,727,282.25</u>	<u>2,876,686,937.68</u>

5.30.3 Principal operating activities by territories

<u>Area</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
	<u>Operating revenues</u>	<u>Operating costs</u>	<u>Operating revenues</u>	<u>Operating costs</u>
Australia	165,408,784.44	148,523,679.98	185,919,170.11	170,759,290.98
Africa	21,245,641.18	16,924,947.07	21,480,508.38	18,165,221.97
America	1,245,209,912.85	1,134,682,670.71	1,673,085,733.91	1,465,398,792.29
Europe	498,757,612.73	447,752,187.47	534,077,415.00	478,014,450.56
Asia	<u>893,009,318.17</u>	<u>762,726,113.00</u>	<u>848,164,454.85</u>	<u>744,349,181.88</u>
Total	<u>2,823,631,269.37</u>	<u>2,510,609,598.23</u>	<u>3,262,727,282.25</u>	<u>2,876,686,937.68</u>

5.30.4 Details of operating revenues from top five clients

<u>Clients</u>	<u>Operating revenue</u>	<u>% of total operating revenue</u>
Applica Consumer Products, Inc.	551,024,561.33	18.91
Tsann Kuen Japan Co., Ltd.	268,410,785.50	9.21
ZOJIRUSHI CORPORATION	223,035,707.86	7.65
Sensio Inc.	199,328,998.70	6.84
Conair Corporation	<u>179,035,357.11</u>	<u>6.14</u>
Total	<u>1,420,835,410.50</u>	<u>48.75</u>

5.31 Business tax and surcharges

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>	<u>Tax rate</u>
Business tax	3,288,735.88	3,257,275.94	5%
Education surcharge	7,456,408.14	1,474,799.59	2%, 3%
Urban maintenance and construction surcharge	7,385,771.08	84,811.85	1%, 5%, 7%
Others	<u>17,072.30</u>	<u>15,242.02</u>	
Total	<u>18,147,987.40</u>	<u>4,832,129.40</u>	

The recognition criteria for taxes and surcharges refer to Note 3 Taxation.

5.32 Sales expenses

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Export charges	43,150,078.42	42,544,303.75
Employee remunerations	24,036,180.27	22,087,896.95
Compensations	20,156,971.24	15,440,591.83
Sales commission and after sales service fees	7,881,480.57	15,436,250.33
Assets lease expenses	4,055,223.68	4,494,164.14
Travel expenses	2,871,401.96	3,947,977.74
Advertisements charges and sales promotion	3,741,833.57	3,640,035.13
Administrative expenses	2,189,572.44	2,092,872.32
Transportation charges	693,769.95	1,023,759.73
Business entertainment	338,344.47	514,640.07
Maintenance expenses	741,515.86	410,432.97
Depreciation of assets	596,635.16	336,113.30
Water and electricity charges	330,019.76	322,935.51
Other expenses	<u>1,305,287.80</u>	<u>4,769,105.28</u>
Total	<u>112,088,315.15</u>	<u>117,061,079.05</u>

5.33 General and administrative expenses

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
R&D expenses	99,325,146.86	101,433,972.27
Employee remunerations	45,992,669.63	41,193,079.19
Depreciation and amortization of assets	17,848,462.87	20,315,415.63
Rental expenses	20,308,452.88	16,560,909.35
Insurance expenses	5,447,594.54	6,510,444.85
Administrative expenses	5,809,189.51	5,702,762.83
Travel expenses	6,192,131.98	5,681,032.88
Consultant fees	3,102,577.56	4,222,466.34
Maintenance expenses	3,980,573.74	3,130,104.22
Taxes and surcharges	4,305,923.90	3,025,850.86
Business entertainment	961,865.81	1,565,526.00
Board fees	861,765.07	1,052,274.76

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Water and electricity charges	2,339,174.43	1,035,524.98
Other expenses	6,808,570.64	6,131,670.38
Total	<u>223,284,099.42</u>	<u>217,561,034.54</u>

5.34 Financial costs

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Interest expenses	2,229,092.04	192,900.96
Less: Interest income	23,348,708.41	7,656,892.25
Less: Realized financing gains	2,243,791.67	3,344,374.37
Exchange gain or loss	15,171,091.56	1,956,712.10
Bank charges	<u>3,180,275.34</u>	<u>3,844,904.16</u>
Total	<u>-5,012,041.14</u>	<u>-5,006,749.40</u>

5.35 Impairment loss on assets

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Impairment loss on receivables	318,009.76	-4,989,509.20
Impairment loss on inventories	11,557,759.70	7,052,036.95
Impairment loss on fixed assets	1,616,005.92	1,203,955.49
Impairment loss on goodwill	<u>996,979.09</u>	<u>0.00</u>
Total	<u>14,488,754.47</u>	<u>3,266,483.24</u>

5.36 Gains from changes in fair value

<u>Source of gains from changes in fair value</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Held for trading financial assets	2,334,473.27	712,918.57
Including: Derivative financial assets	<u>2,334,473.27</u>	<u>712,918.57</u>
Total	<u>2,334,473.27</u>	<u>712,918.57</u>

5.37 Investment income

<u>Source of investment income</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Held for trading financial assets	23,902,737.26	-3,158,122.83
Gains from disposal of investment in subsidiaries	297,175.94	198,721.16
Available-for-sale financial assets	0.00	229,417.21
Others	<u>7,500.00</u>	<u>7,500.00</u>
Total	<u>24,207,413.20</u>	<u>-2,722,484.46</u>

5.38 Non-operating income

5.38.1 Details of non-operating income

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
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<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Gains from disposal of non-current assets	8,446,693.60	9,103,845.68
Including: Gains from disposal of fixed assets	8,446,693.60	9,103,845.68
Income from penalties	29,310.25	188,512.30
Income from indemnities	98,553.05	0.00
Government grants	3,896,094.04	7,162,112.37
Unable pay for the overdue accounts payable	151,243.18	0.00
Others	<u>1,416,025.08</u>	<u>1,562,577.07</u>
Total	<u>14,037,919.20</u>	<u>18,017,047.42</u>

5.38.2 Government Grants

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Approval Documents</u>	<u>Approval authority</u>
Special funds for patent	400,515.00	Documents of Intellectual Property Bureau	Xiamen Intellectual Property Bureau
Support capital for export products-mix	400,000.00	Notice of Appropriation for 2011 Key Export Products Structure Optimizing Funds	Fujian Province Finance Bureau
Subsidies for export letter guarantees	1,759,259.04	<China Export Credit Insurance Co., Ltd., Fujian Branch>	Zhangzhou Finance Department / Zhangzhou Foreign Trade and Economic Cooperation Bureau
Industrial design subsidies	910,000.00	Longwei 【2011】 01 / Longwei 【2011】 4/ Zhangcaijiao 【2010】 153	CPC Longhai Municipal Committee / Zhangzhou Finance Department
Subsidies for environmental protection special funds	20,000.00	2009 Environmental protection special funds	Longhai Environmental Protection Department
Excellent technical criterion enterprise	10,000.00	Minzhijianbiao 【2010】 763	Fujian Province Quality and Technical Supervision Bureau
Subsidies for process trading transition promotion funds	150,000.00	ZS111201	Fujian Province Finance Bureau
Subsidies for attend the country, province and city level skill competition	3,500.00	Suggestion for technical secondary school join the country and province level skill competition award	Zhangzhou vocational and technical Education Center
Secondary school tuition exempt policy	242,550.00	Mincaijiao [2011] 74	Zhangzhou Finance Department
Rewards for coming Fujian province tour and Taiwan tour	<u>270.00</u>	Mincaiwai 【2011】 73	Fujian Province Tourist Administration
Total	<u>3,896,094.04</u>		

5.39 Non-operating expenses

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Loss on disposal of non-current assets	211,099.69	3,521,522.51
Including: Loss on disposal of fixed assets	211,099.69	3,521,522.51
Losses on scraped fixed assets	611,489.82	128,446.93
Losses from physical count of fixed assets	124,238.57	251,939.14
Fines	46,149.00	11,086.04
Public donation	155,000.00	500,000.00
Others	<u>173,732.69</u>	<u>5,500.00</u>
Total	<u>1,321,709.77</u>	<u>4,418,494.62</u>

5.40 Corporate income tax expenses

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Current tax	266,223.82	1,884,758.81
Deferred tax	<u>11,735,984.59</u>	<u>2,433,869.77</u>

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

<u>Profits for current reporting period</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
	<u>Basic EPS</u>	<u>Diluted EPS</u>	<u>Basic EPS</u>	<u>Diluted EPS</u>
Net profits attributable to ordinary shareholders	0.01	0.01	0.06	0.06
Net profits (deducted extraordinary profits or losses) attributable to ordinary shareholders	-0.01	-0.01	0.05	0.05

Basic EPS = $P_0 \div S$

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

Including:

P_0 : Net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that has deducted extraordinary profits or losses;

S : The weighted average of the number of ordinary shares outstanding during the current reporting period;

S_0 : The total number of ordinary shares outstanding at the beginning of the period;

S_1 : The incremental ordinary shares issued as a result of the conversion of surplus to ordinary shares or distribution of shares dividend;

S_i : The incremental ordinary shares issued as a result of the conversion of a debt instrument to ordinary shares or issued new shares;

S_j : Decrement shares as a result of the number of ordinary shares buyback, etc;

S_k : The number of shares contraction during the current reporting period;

M_0 : The number of months of the current reporting period;

M_i : The accumulative months that is from the next month of incremental shares to the month of end of reporting period;

M_j : The accumulative months that is from the next month of decrement shares to the month of end of reporting period.

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

Including: P_1 : The net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses, and adjustment for diluting effect in accordance with the CASs.

5.42 Other comprehensive income

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
1.Gain or loss on available-for-sale financial assets	0.00	0.00
Less: Income tax chargeable on gain or loss on available-for-sale financial assets	0.00	0.00
Net amount transferred to profit or loss for the current reporting period from gain or loss on available-for-sale financial assets recognised in other comprehensive income in prior reporting periods	0.00	205,085.71
Subtotal	<u>0.00</u>	<u>-205,085.71</u>
2.Share of other comprehensive income of investments measured using the equity method	0.00	0.00
Less: Income tax chargeable on share of other comprehensive income of investments measured using the equity method	0.00	0.00
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 recognised in other comprehensive income in prior reporting periods	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>
3.Gain or loss on cash flow hedges		0.00
Less: Income tax chargeable on gain or loss on cash flow hedges	0.00	0.00
Net amount transferred to profit or loss for the current reporting period from gain or loss on cash flow hedges recognised in other comprehensive income in prior reporting periods.	0.00	0.00
Adjustment to the initial amounts hedged items	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>
4.Translation of financial statement denominated in foreign currencies	-311,352.17	651,299.84
Less: Net amount of disposal of overseas operation transferred to profit or loss for the current reporting period	0.00	0.00
Subtotal	<u>-311,352.17</u>	<u>651,299.84</u>
5.Others	0.00	0.00
Less: Income tax chargeable on others	0.00	0.00
Net amount transferred to profit or loss for the current reporting period from others recognised in other comprehensive income in prior reporting periods	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>
Total	<u>-311,352.17</u>	<u>446,214.13</u>

5.43 Notes to elements of the consolidated statement of cash flows

5.43.1 Other cash receipts in relation to operating activities

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Government Grant	3,186,585.60	7,989,593.00
Interests Income	21,830,589.92	7,656,892.25
Recovery of security deposit of notes	13,467,374.73	6,335,390.69
Funds in current account and others	<u>17,873,164.22</u>	<u>20,636,015.98</u>
Total	<u>56,357,714.47</u>	<u>42,617,891.92</u>

5.43.2 Other cash payments in relation to operating activities

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Penalties and donations paid	201,149.00	511,086.04
Bank charges paid by cash	3,180,275.34	3,844,904.16
Sales expenses and general and administrative expenses paid by cash	174,626,190.17	196,402,125.52
Current accounts and others	<u>14,276,273.44</u>	<u>0.00</u>
Total	<u>192,283,887.95</u>	<u>200,758,115.72</u>

5.43.3 Other cash receipts in relation to investing activities

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
The net cash payable from acquisition of TSSZ in negative	<u>0.00</u>	<u>244,311.71</u>
Total	<u>0.00</u>	<u>244,311.71</u>

5.43.4 Other cash payments in relation to investing activities

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
The net cash receivable from disposal of TSSZ in negative	956,524.56	0.00
Settlement of held for trading financial assets	<u>0.00</u>	<u>3,158,122.83</u>
Total	<u>956,524.56</u>	<u>3,158,122.83</u>

5.43.5 Other cash receipts in relation to financing activities

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Capital absorbed and loan between related parties	196,042,600.00	0.00
Margin of pledged loan	0.00	71,732,000.00
Realized financing gains	<u>0.00</u>	<u>3,344,374.37</u>
Total	<u>196,042,600.00</u>	<u>75,076,374.37</u>

5.43.6 Other cash payments in relation to financing activities

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Capital absorbed and loan between related parties	<u>196,042,600.00</u>	<u>157,032,500.00</u>
Total	<u>196,042,600.00</u>	<u>157,032,500.00</u>

5.44 Supplementary information for the consolidated cash flows statement

5.44.1 Supplementary information for the consolidated cash flows statement

<u>Supplemental informations</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
1.Adjusting net profit to cash flow from operating activities:		
Net profits	14,840,268.27	87,423,688.67
Add: Impairment allowance of assets	4,406,799.23	3,266,483.24
Depreciation of fixed assets and biological assets held for production and depletion of oil and gas assets	97,081,286.04	120,538,343.75
Amortisation of intangible assets	2,436,438.14	3,021,375.27
Amortisation of long-term deferred expenses	2,115,741.87	1,444,957.80
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain presented with “-” prefix)	-8,235,593.91	-5,582,323.17
Loss on writing-off of fixed assets (gain presented with “-” prefix)	735,728.39	380,386.07
Loss on changes in fair value (gain presented with “-” prefix)	-2,334,473.27	-712,918.57
Financial costs (income presented with “-” prefix)	10,249,481.84	-1,194,761.31
Investment loss (income presented with “-” prefix)	-24,207,413.20	2,722,484.46
Decrease of deferred tax assets (increase presented with “-” prefix)	11,385,813.60	2,326,931.99
Increase of deferred tax liabilities (decrease presented with “-” prefix)	350,170.99	106,937.78

<u>Supplemental informations</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
1.Adjusting net profit to cash flow from operating activities:		
Decrease of inventories (increase presented with “-” prefix)	-46,144,794.83	78,194,315.46
Decrease of operating receivables (increase presented with “-” prefix)	86,911,704.83	-87,168,257.60
Increase of operating payables (decrease presented with “-” prefix)	-55,607,815.62	21,414,550.03
Others	<u>0.00</u>	<u>0.00</u>
Net cash flows from operating activities	<u>93,983,342.37</u>	<u>226,182,193.87</u>
2.Significant investing and financing activities not involving movements of cash flows :		
Debt-to-equity conversion	0.00	0.00
Convertible debt instruments due within one year	0.00	0.00
Fixed assets acquired under financial leases	0.00	0.00
3.Net movement of cash and cash equivalents:		
Cash as at the end of the reporting period	704,791,892.62	627,477,733.10
Less: Cash as at the beginning of the reporting period	627,477,733.10	540,739,906.30
Add: Cash equivalents as at the end of the reporting period	0.00	0.00
Less: Cash equivalents as at the beginning of the reporting period	<u>0.00</u>	<u>0.00</u>
Net increase of cash and cash equivalents	<u>77,314,159.52</u>	<u>86,737,826.80</u>

5.44.2 Information of subsidiaries and other entities acquired or disposed during the current reporting period

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
i. Information of subsidiaries and other entities acquired during the current reporting period		
1. Price of acquisition	0.00	486,867.80
2. Cash and cash equivalents paid for acquisition	0.00	486,867.80
Less: Cash and cash equivalents held by subsidiaries and other entities acquired	0.00	731,179.51
3. Net cash and cash equivalents paid for acquisition	0.00	-244,311.71
4.Net identifiable assets of subsidiaries acquired	0.00	-1,013,132.20
Current assets	0.00	990,935.43
Non-current assets	0.00	0.00
Current liabilities	0.00	2,004,067.63
Non-current liabilities	0.00	0.00
ii. Information of subsidiaries and other entities disposed during the current reporting period		
1.Price of disposal	500,000.00	7,918,511.63
2.Cash and cash equivalents received from disposal	500,000.00	7,918,511.63
Less: Cash and cash equivalents held by	1,456,524.56	2,644,660.66
3.Net cash and cash equivalents received from disposal	-956,524.56	5,273,850.97
4.Net identifiable assets disposed	-1,297,175.94	6,873,987.98
Current assets	1,916,712.94	67,279,543.69
Non-current assets	10,767.31	3,905,041.61
Current liabilities	3,224,656.19	64,310,597.32

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Non-current liabilities	0.00	0.00

5.46.3 Composition of cash and cash equivalents

<u>Items</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
1.Cash	704,791,892.62	627,477,733.10
Including: Cash in hand	962,382.22	1,185,554.72
Demand deposits	703,829,510.40	588,753,111.37
Unrestricted other monetary funds	0.00	37,539,067.01
Demand deposits in the central bank	0.00	0.00
Deposits in financial institutions	0.00	0.00
Loans to financial institutions	0.00	0.00
2.Cash equivalents	0.00	0.00
Including: Debt instrument matured in less than three months	0.00	0.00
3.Cash and cash equivalents as at 31/12/2011	704,791,892.62	627,477,733.10

Note 6: Related parties and transactions with related parties

6.1 Details of the parent

<u>Parents</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.	Ultimate holding company	INC	Taiwan	Jian Derong	Manufacture and sales electrical equipment	TWD 1,926,000.00 thousand

(Continued)

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

6.2 Details of direct and indirect subsidiaries

* The monetary unit is ten thousand unless otherwise stated.

<u>Subsidiaries</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>Organisation 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	56.25	77067325-2
TKS	limited liability company	Shanghai	Jian Derong	home appliances manufacture	USD4,000	62.50	62.50	607291035
LTC	Nonbusiness enterprise run by local people	Zhangzhou	Zhu Chengde	secondary vocational education	CNY 300	75.00	75.00	79176918-1
STD	limited liability company	Shanghai	Jian Derong	sales of home appliances	CNY 495	56.25	56.25	67455210-0
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	75.00	68525122-3
TSST	limited liability company	Shanghai	Zhu Chengde	ticket agent	CNY 550	75.00	75.00	73408027-3
TSD	limited liability company	Dalian	Dai Huiyuan	travel business	CNY 530	74.25	74.25	66112308-3
TSXT	limited liability company	Xiamen	Dai Huiyuan	ticket agent	CNY 150	75.00	75.00	73788566-7
SCCX	limited liability company	Xiamen	Jian Derong	sales of home appliances	CNY 2,800	75.00	75.00	55623112-X

<u>Subsidiaries</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>Organisation code</u>
Brilliant Leader Ltd	limited liability company	Hongkong	Jian Derong	Investment, trade	USD 495	75.00	75.00	1490869
Globe Strong Limited	limited liability company	Hongkong	Jian Derong	Investment, trade	USD 5	75.00	75.00	1490775
TKLI	limited liability company	Indonesia	Jian Derong	home appliances manufacture	USD 500	75.00	75.00	102112601113

6.3 Details of other related parties

<u>Other related parties</u>	<u>Relationship</u>	<u>Organisation 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
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	Same ultimate holding company	80355209
PT.STAR COMGISTIC INDONESIA	Same ultimate holding company	102112700908
Xiamen Tsann Kuen Trading Co., Ltd.	Same actual controller	58126129-1

6.4 Transactions with related parties

6.4.1 Transactions through which goods or services are purchased

<u>Related parties</u>	<u>Type of transaction</u>	<u>Content of transaction</u>	<u>Pricing policy and decision making procedures</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
				<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>	<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>
Thermaster Electronic (Xiamen) Ltd.	Purchase of goods	Purchase of raw materials and spare parts	According to the contract price	54,393,294.88	2.34	63,103,037.29	3.15
PT.STARCOMGISTIC INDONESIA	Purchase of goods	Purchase of raw materials and spare parts	According to the contract price	11,085,947.73	0.48	0.00	0.00
STAR COMGISTIC CAPITAL CO., LTD	Purchase of goods	Purchase of raw materials and spare parts	According to the contract price	<u>23,015,412.94</u>	<u>0.99</u>	<u>25,800,247.66</u>	<u>1.29</u>
Total				<u>88,494,655.55</u>	<u>3.81</u>	<u>88,903,284.95</u>	<u>4.44</u>

6.4.2 Transactions to supply goods or services

<u>Related parties</u>	<u>Type of transaction</u>	<u>Content of transaction</u>	<u>Pricing policy and decision making procedures</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
				<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>	<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>
Tsann Kuen Japan Co., Ltd.	Sales of goods	Sales of spare parts and finished goods	According to the contract price	268,410,785.50	9.51	232,201,515.88	7.36

<u>Related parties</u>	<u>Type of transaction</u>	<u>Content of transaction</u>	<u>Pricing policy and decision making procedures</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
				<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>	<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>
Tsann Kuen Enterprise Co., Ltd.	Sales of goods	Sales of spare parts and finished goods	According to the contract price	0.00	0.00	11,294,912.49	0.36
Thermaster Electronic (Xiamen) Ltd.	Sales of goods	Sales of spare parts and finished goods	According to the contract price	50,858.00	0.00	123,508.06	0.00
PT. STAR COMGISTIC INDONESIA	Sales of goods	Sales of spare parts and finished goods	According to the contract price	20,054,665.03	0.71	0.00	0.00
Xiamen Tsann Kuen Trading Co., Ltd.	Sales of goods	Sales of spare parts and finished goods	According to the contract price	60,689.21	0.00	0.00	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Sales of goods	Sales of spare parts and finished goods	According to the contract price	<u>59,915,222.85</u>	<u>2.12</u>	<u>50,650,255.74</u>	<u>1.61</u>
Total				<u>348,492,220.59</u>	<u>12.34</u>	<u>294,270,192.17</u>	<u>9.33</u>

6.4.3 Assets transfer between related parties

<u>Related parties</u>	<u>Type of transaction</u>	<u>Content of transaction</u>	<u>Pricing policy and decision making procedures</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
				<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>	<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>
Tsann Kuen Enterprise Co., Ltd.	Procurement	Purchase of modules and machineries	According to the carrying values	0.00	0.00	64,078.48	0.20
STAR COMGISTIC CAPITAL CO., LTD.	Procurement	Purchase of modules and machineries	According to the carrying values	91,805.21	0.24	2,355,260.55	7.19
PT.STARCOMGISTIC INDONESIA	Sales	Sales of machineries	According to the carrying values	<u>9,320,939.75</u>	2.10	<u>0.00</u>	0.00
Total				<u>9,412,744.96</u>		<u>2,419,339.03</u>	

6.4.4 Other transactions with related parties

<u>Related parties</u>	<u>Content of transaction</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
		<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>	<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>
Payments					
STAR COMGISTIC CAPITAL CO., LTD.	Technical knowledge support fee (Note1)	16,128,792.27	100.00	17,714,199.37	100.00
Tsann Kuen USA, Inc.	Payment for after sales service (Note2)	557,390.85	100.00	1,008,048.06	6.53
STAR COMGISTIC CAPITAL CO., LTD.	Agency fee for procurement (Note3)	1,148,836.40	100.00	1,689,996.48	60.08
Tsann Kuen Japan Co., Ltd.	Product warrenty (Note4)	15,002,609.23	74.43	12,771,429.80	82.71
STAR COMGISTIC CAPITAL CO., LTD.	Product warrenty (Note4)	1,236,430.44	6.13	0.00	0.00
STAR COMGISTIC CAPITAL CO., LTD.	Consulting fees	0.00	0.00	403,400.17	100.00

<u>Related parties</u>	<u>Content of transaction</u>	<u>Y/e 31/12/2011</u>		<u>Y/e 31/12/2010</u>	
		<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>	<u>Amount</u>	<u>Proportion of total amount of similar transactions (%)</u>
Tsann Kuen Japan Co., Ltd.	Sales commission (Note5)	3,455,343.07	47.42	2,976,340.24	19.28
STAR TRAVEL SERVICE CORP.	Acceptance labour services (Note6)	754,786.68	1.47	7,999,458.09	36.59
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	Acceptance labour services (Note6)	3,753,274.60	7.30	0.00	0.00
PT.STARCOMGISTIC INDONESIA	Rental	<u>894,128.46</u>	2.06	<u>0.00</u>	0.00
Total		<u>42,931,592.00</u>		<u>44,562,872.21</u>	
Revenues					
Tsann Kuen Enterprise Co., Ltd.	Sales commission	0.00	0.00	231,945.66	100.00
Thermaster Electronic (Xiamen) Ltd.	Consulting fees	0.00	0.00	2,585,919.10	100.00
STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	Provide labour services (Note6)	849,022.36	1.56	0.00	0.00
STAR TRAVEL SERVICE CORP.	Provide labour services (Note6)	1,631.62	0.00	3,391,247.28	14.10
Thermaster Electronic (Xiamen) Ltd.	Provide labour services (Note6)	109,590.00	0.20	11,930.00	0.05
Xiamen Tsann Kuen Trading Co., Ltd.	Rental	2,633,101.84	5.23	0.00	0.00
Xiamen Tsann Kuen Trading Co., Ltd.	Provide labour services (Note6)	<u>19,560.00</u>	<u>0.04</u>	<u>0.00</u>	<u>0.00</u>
Total		<u>3,612,905.82</u>		<u>6,221,042.04</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 in America 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 warrenty for those sales from TKL to related companies.

Note 5: The Company makes sales to Japan. In accordance with the the agreement with TKJ, sales commission equal to 10% of the total sales from the Company to TKJ shall be payable by the Company to TKJ.

Note 6: The Company with those related companies 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 7: 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.

Note 8: Transfer shareholdings between related parties

On 14 February 2011, the indirect subsidiary TSX3C transferred 90% shareholdings of TSSZ to Xiamen Xingyou Trading Co., Ltd., the consideration for transfer is CNY 450,000, in addition, transferred 10% shareholdings of TSSZ to Dai huiyuan, the consideration for transference is CNY 50,000.

6.5 The balance of payables and receivables among related parties

<u>Items</u>	<u>Related parties</u>	<u>Amount as at 31/12/2011</u>	<u>Amount as at 31/12/2010</u>
Accounts receivable		<u>58,106,525.66</u>	<u>87,815,084.76</u>
	Tsann Kuen Japan Co., Ltd.	45,190,093.58	76,907,815.34
	Thermaster Electronic (Xiamen) Ltd.	30,723.00	9,750.00
	Tsann Kuen Enterprise Co., Ltd.	0.00	242,282.90
	STAR COMGISTIC CAPITAL CO., LTD.	9,524,412.88	10,577,697.22
	STAR TRAVEL SERVICE CORP.	0.00	77,539.30
	STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	57,106.95	0.00
	PT. STAR COMGISTIC INDONESIA	3,304,189.25	0.00
Accounts payable		<u>18,965,548.09</u>	<u>8,745,033.06</u>
	Thermaster Electronic (Xiamen) Ltd.	14,467,379.44	5,291,500.93
	STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	403,640.17	0.00
	STAR COMGISTIC CAPITAL CO., LTD.	3,937,550.43	2,621,183.79
	PT.STAR COMGISTIC INDONESIA	126,194.37	0.00
	STAR TRAVEL SERVICE CORP.	30,783.68	832,348.34
Advances to suppliers		<u>894,128.46</u>	<u>0.00</u>
	PT.STAR COMGISTIC INDONESIA	894,128.46	0.00
Other receivables		<u>4,936,960.37</u>	<u>0.00</u>
	TSSZ	51,557.00	0.00
	PT.STARCOMGISTIC INDONESIA	4,885,403.37	0.00
Other payables		<u>25,069,372.67</u>	<u>7,282,643.01</u>
	Tsann Kuen USA, Inc.	129,552.49	138,557.28
	Tsann Kuen Japan Co., Ltd.	11,660,846.68	2,213,246.77
	Thermaster Electronic (Xiamen) Ltd.	0.00	79,475.91
	STAR INTERNATIONAL TRAVEL SERVICE Co., LTD.	38,803.46	0.00
	PT.STARCOMGISTIC INDONESIA	1,836,200.72	0.00
	STAR COMGISTIC CAPITAL CO., LTD.	4,056,909.93	4,689,060.68
	STAR TRAVEL SERVICE CORP.	0.00	162,302.37
	Xiamen Tsann Kuen Trading Co., Ltd.	7,347,059.39	0.00

Note 7: Contingencies

The subsidiary TKL signed the < Product Supply Agreement> with Xinda Electromechanics Co., Ltd. (hereafter, Xinda) on July 20, 2009. The validity of the contract is from 1 July 2009 to 30 June 2012. Furthermore, on 1 January 2011, they signed the <Tsann Kuen (Zhangzhou) Enterprise Co., Ltd. 2011 ED Procurement Contract> and relevant <Sepcial Arrangement Clauses>, and other agreements. According to those agreements, TKL should purchase products from Xinda. TKL rejected to pay for the purchase and terminated those agreements due to the poor quality products from Xinda. On 2 November 2011, Xinda lodged petition for civil litigation to the Intermediate People's Court of Zhangzhou for the order of Intermediate People's Court of Zhangzhou that TKL pay for purchase from Xinda amounting to USD 479,089.06 immediately together with the liquidated damages for delay payment and resume performance of the agreement (the value of the unperformed agreement amounting to USD 189,423.25).

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

Up to the end of the reporting date, the financial statement of TKL including accounts payable to Xinda amounting to USD 479,089.06, the legal case is being inquisited.

Note 8: Commitments

8.1 Irrevocable lease contracts under performance and their financial effects

*The monetary unit is ten thousand unless otherwise stated.

<u>Items</u>	<u>*Amount as at 31/12/2011</u>	<u>*Amount as at 31/12/2010</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 keep performed without violation.

Note 9: Post-balance-sheet-date events

9.1 Post-balance-sheet-date profits distribution

On 10 March 2012, The second time shareholder meeting of 2012 has been passed the resolution of 2011 profits distribution, the net profits in 2011, shall be used for make up accumulated deficits, not return to investors for distribution of profits. However, the resolution shall be examined and approved by the general meeting of shareholders.

9.2 Other post-balance-sheet-date events

On 10 March 2012, The second time shareholder meeting of 2012 has been passed the resolution for the acquisition of 100% shareholdings of Yingsheng Development Co., Ltd., the former parent company is Sino Global Development Limited, which controlled by STAR COMGISTIC CAPITAL CO., LTD. also.

Note 10: Other significant events

10.1 Assets and liabilities measured at fair value:

<u>Items</u>	<u>Fair value</u> <u>as at 31/12/2010</u>	<u>Changes</u> <u>in fair value</u> <u>during the current</u> <u>reporting period</u>	<u>Cumulative</u> <u>changes</u> <u>in fair value</u> <u>recognised</u> <u>in equity</u>	<u>Impairment allowance</u> <u>recognised during the</u> <u>current reporting period</u>	<u>Fair value</u> <u>as at 31/12/2011</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	2,334,473.27	0.00	0.00	4,636,053.22
3. Available-for-sale financial assets	0.00	0.00	0.00	0.00	0.00
Subtotal of financial assets	0.00	0.00	0.00	0.00	0.00
Investment properties	0.00	0.00	0.00	0.00	0.00
Biological assets held for production	0.00	0.00	0.00	0.00	0.00
Others	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total of assets	<u>2,301,579.95</u>	<u>2,334,473.27</u>	<u>0.00</u>	<u>0.00</u>	<u>4,636,053.22</u>
Financial liabilities					

10.2 Financial assets and financial liabilities denominated in foreign currencies:

<u>Items</u>	<u>Fair value</u> <u>as at 31/12/2010</u>	<u>Changes</u> <u>in fair value</u> <u>during the current</u> <u>reporting period</u>	<u>Cumulative changes</u> <u>in fair value</u> <u>recognised</u> <u>in equity</u>	<u>Impairment</u> <u>allowance</u> <u>recognised during the</u> <u>current</u> <u>reporting period</u>	<u>Fair value</u> <u>as at 31/12/2011</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

<u>Items</u>	<u>Fair value</u> <u>as at 31/12/2010</u>	<u>Changes</u> <u>in fair value</u> <u>during the current</u> <u>reporting period</u>	<u>Cumulative changes</u> <u>in fair value</u> <u>recognised</u> <u>in equity</u>	<u>Impairment</u> <u>allowance</u> <u>recognised during the</u> <u>current</u> <u>reporting period</u>	<u>Fair value</u> <u>as at 31/12/2011</u>
3. Loans and receivables	463,619,163.85	0.00	0.00	2,683,676.27	383,306,621.51
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>2,683,676.27</u>	<u>383,306,621.51</u>
Financial liabilities	<u>112,448,659.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>186,296,798.42</u>

10.3 The details of guarantee between the Company and its subsidiaries during the current reporting period. (The monetary unit is CNY ten thousand):

<u>Grantees</u>	<u>Bank</u>	<u>Transaction</u> <u>date(date of</u> <u>agreement)</u>	<u>Guaranteed</u> <u>amount</u>	<u>Balance of</u> <u>guarantee</u>	<u>Type of</u> <u>guarantee</u>	<u>Term of</u> <u>guarantee</u>	<u>Scope of guarantee</u>
TKN	China Citic Bank, Zhangzhou branch	4 Mar 2011	297.00	0	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	bank acceptance, trade financing
TKN	Shanghai First Sino Bank	4 Dec 2010	161.00	0	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade acceptance discount, trade financing,
TKN	China Everbright Bank, Xiamen branch	23 Apr 2011	283.00	283.00	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing,
TKLI	The Agriculture Bank of China, Xiamen branch	8 Jul 2011	630.00	630.00	Guarantee for implicative responsibility	one year from the expiry date of performance of an obligation	trade financing,
Total amount the company guarantees during the current reporting period						1,371.00	
Total balance the company guaranteed as at the balance sheet date.						913.00	

10.4 Others

On 31 December 2006, the Company's subsidiary TKL signed agreements pursuant to 《Co-operation Frame Agreement》 and 《Transfer of Operating Assets Agreement》 and 《Material Supplies Agreement》 with SHANGHAI SIGMA METAL, INC (hereafter "SIGMA"), the content of the agreements are shown as followed: TKL transfer its operating assets and business opportunities to SIGMA with total transaction amount of CNY 100,000,000. SIGMA shall be act as TKL's main aluminum material supplier, and the settlement price adopt should be adjusted according to the lower price and rate as negotiated by both parties for each ton. According to the transfer of operating assets agreement, SIGMA shall pay CNY 38,000,000 to TKL as its initial payment, and the outstanding balance of CNY 62,000,000 shall be deducted from the charges of aluminum material work in process by monthly. TKL promises SIGMA to purchase aluminum material every year effective in three years from the date of the agreements signed, with purchase quantities shall not less than 70% of the Company's total demands. After three years, if TKL's purchase orders are not enough to deduct the balance of the transaction, then TKL shall agree to renew the agreement until the balance can be offset fully. If TKL terminates responsibility by itself, the SIGMA will no need to pay the rest of outstanding balance. If SIGMA terminates its responsibility, then SIGMA shall pay the rest of outstanding balance by lump-sum payment.

The contract has been implemented over four years, as at the balance sheet date, the outstanding balance

by CNY 39,923,170.80, that can be sustainable deduction.

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	As at 31/12/2011				As at 31/12/2010			
	<u>Carry amount</u> <u>before impairment</u>		<u>Impairment allowance</u>		<u>Carry amount</u> <u>before impairment</u>		<u>Impairment allowance</u>	
	<u>allowance</u>				<u>allowance</u>			
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
Other receivables belong to individual significance and individually assessed for impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables belong to recognition of impairment allowances by group:								
Age group	86,496.06	100.00	5,589.73	6.46	126,090.00	100.00	0.00	0.00
Related party group	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal of groups	<u>86,496.06</u>	<u>100.00</u>	<u>5,589.73</u>	<u>6.46</u>	<u>126,090.00</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</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>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>86,496.06</u>	<u>100.00</u>	<u>5,589.73</u>	<u>6.46</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

Age	As at 31/12/2011			As at 31/12/2010		
	<u>Carry amount before impairment</u>		<u>Impairment allowance</u>	<u>Carry amount before impairment allowance</u>		<u>Impairment allowance</u>
	<u>Amount</u>	<u>% of total</u>		<u>Amount</u>	<u>% of total</u>	
Within 1 year	86,496.06	100.00	5,589.73	126,090.00	100.00	0.00
Including: 1-90 days	72,220.90	83.50	0.00	126,090.00	100.00	0.00
91-180 days	2,664.08	3.08	266.41	0.00	0.00	0.00
181-270 days	2,411.08	2.79	723.32	0.00	0.00	0.00
271-365 days	<u>9,200.00</u>	<u>10.63</u>	<u>4,600.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>86,496.06</u>	<u>100.00</u>	<u>5,589.73</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.

11.1.4 Details of top five other receivables

<u>Debtors</u>	<u>Relationship to the Company</u>	<u>Carrying amount</u> <u>as at 31/12/2011</u>	<u>Nature of other receivables</u>	<u>Age</u>	<u>% of total other receivables</u>
XiamenShouchuang Junhe Patent Co., Ltd.	Non-related party	51,442.50	Patents paid in advance	Within 1 year	59.47
Xiamen Xiaodao Hotel Co., Ltd.	Non-related party	15,000.00	Rental	Within 1 year	17.34
Huang Jingjing	Non-related party	9,200.00	Temporary borrowings	Within 1 year	10.64

Wang Zhifang	Non-related party	5,853.56	Temporary borrowings	Within 1 year	6.77
Deng Shuya	Non-related party	<u>5,000.00</u>	Temporary borrowings	Within 1 year	<u>5.78</u>
Total		<u>86,496.06</u>			<u>100.00</u>

11.2 Long-term equity investments

11.2.1 Circumstance of long-term equity investments

<u>Investees</u>	<u>Measurement</u>	<u>Investment costs</u>	<u>Shareholding %</u>	<u>Voting right %</u>	<u>Reason(s) for discrepancy between shareholding and voting right</u>
TKS	Historical cost convention	194,545,872.18	62.50	62.50	
TKL	Historical cost convention	921,914,701.56	75.00	75.00	
TSX	Historical cost convention	5,000,000.00	100.00	100.00	
Xiamen Institute of Foreign Investment Enterprise	Historical cost convention	<u>40,000.00</u>	1.48	1.48	
Total		<u>1,121,500,573.74</u>			

(Continued)

<u>Investees</u>	<u>Carrying amount as at 31/12/2010</u>	<u>Movement during the current reporting period</u>	<u>Carrying amount as at 31/12/2011</u>	<u>Impairment allowance</u>	<u>Impairment allowance recognized during the current reporting period</u>	<u>Cash dividends during the current reporting period</u>
TKS	194,545,872.18	0.00	194,545,872.18	130,646,542.91	0.00	0.00
TKL	921,914,701.56	0.00	921,914,701.56	0.00	0.00	67,724,795.69
TSX	5,000,000.00	0.00	5,000,000.00	0.00	0.00	0.00
Xiamen Institute of Foreign Investment Enterprise	<u>40,000.00</u>	<u>0.00</u>	<u>40,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,500.00</u>
Total	<u>1,121,500,573.74</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>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Revenue from principal operating activities	0.00	0.00
Revenue from other operating activities	<u>4,964,916.24</u>	<u>5,599,606.19</u>
Total operating revenue	<u>4,964,916.24</u>	<u>5,599,606.19</u>
Operating costs for principal operating activities	0.00	0.00
Operating costs for other operating activities	<u>2,854,371.07</u>	<u>5,405,509.48</u>
Total operating costs	<u>2,854,371.07</u>	<u>5,405,509.48</u>

11.3.2 Revenue from other operating activities disclosure by classification

<u>Categories</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
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	<u>Other operating revenue</u>	<u>Other operating cost</u>	<u>Other operating profits</u>	<u>Other operating revenue</u>	<u>Other operating cost</u>	<u>Other operating profits</u>
	nue	s		nue	s	
Rental income	4,964,916.24	2,854,371.07	2,110,545.17	3,015,620.38	2,944,570.63	71,049.75
Consultant income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,583,985.81</u>	<u>2,460,938.85</u>	<u>123,046.96</u>
Total	<u>4,964,916.24</u>	<u>2,854,371.07</u>	<u>2,110,545.17</u>	<u>5,599,606.19</u>	<u>5,405,509.48</u>	<u>194,096.71</u>

11.4 Investment income

11.4.1 Details of investment income

<u>Source of investment incomes</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Gains of long-term equity investments measured using the historical cost convention	67,732,295.69	7,849,213.97
Gains of disposal of available-for-sale financial assets	0.00	229,417.21
Gains of disposal of long-term equity investments	<u>0.00</u>	<u>-991,270.12</u>
Total	<u>67,732,295.69</u>	<u>7,087,361.06</u>

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

<u>Investees</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>	<u>Reason(s) for changes from the previous period</u>
TKL	67,724,795.69	7,841,713.97	Increased by the apportionment of cash dividends of 2011
Xiamen Institute of Foreign Investment Enterprise	<u>7,500.00</u>	<u>7,500.00</u>	
Total	<u>67,732,295.69</u>	<u>7,849,213.97</u>	

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

<u>Supplemental information</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
1.Adjusting net profit to cash flow from operating activities:		
Net profits	62,592,222.49	1,263,595.45
Add: Impairment allowance of assets	803,044.69	-672,235.93
Depreciation of fixed assets and biological assets held for production and depletion of oil and gas assets	5,703,415.39	6,200,235.14
Amortisation of intangible assets	918,807.54	1,015,267.08
Amortisation of long-term deferred expenses	32,298.00	140,215.61
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain presented with “-” prefix)	0.00	-268,796.63
Loss on writing-off of fixed assets (gain presented with “-” prefix)	0.00	0.00
Loss on changes in fair value (gain presented with “-” prefix)	0.00	0.00
Financial costs (income presented with “-” prefix)	0.00	47.94
Investment loss (income presented with “-” prefix)	-67,732,295.69	-7,087,361.06
Decrease of deferred tax assets (increase presented with “-” prefix)	0.00	0.00
Increase of deferred tax liabilities (decrease presented with “-” prefix)	0.00	0.00
Decrease of inventories (increase presented with “-” prefix)	0.00	0.00
Decrease of operating receivables (increase presented with “-” prefix)	94,441.63	58,924.63

<u>Supplemental information</u>	<u>Y/e 31/12/2011</u>	<u>Y/e 31/12/2010</u>
Increase of operating payables (decrease presented with “-” prefix)	-56,233,766.54	-5,749,729.08
Others	<u>0.00</u>	<u>0.00</u>
Net cash flows from operating activities	<u>-53,821,832.49</u>	<u>-5,099,836.85</u>
2.Significant investing and financing activities not involving movements of cash flows :		
Debt-to-equity conversion	0.00	0.00
Convertible debt instruments due within one year	0.00	0.00
Fixed assets acquired under financial leases	0.00	0.00
3.Net movement of cash and cash equivalents:		
Cash as at the end of the reporting period	13,757,429.84	904,966.64
Less: Cash as at the beginning of the reporting period	904,966.64	494,441.23
Add: Cash equivalents as at the end of the reporting period	0.00	0.00
Less: Cash equivalents as at the beginning of the reporting period	<u>0.00</u>	<u>0.00</u>
Net increase of cash and cash equivalents	<u>12,852,463.20</u>	<u>410,525.41</u>

Note 12: Supplementary information

12.1 Extraordinary gains or losses for current reporting period

<u>Items</u>	<u>Amounts</u>	<u>Remarks</u>
Gains or losses arising from disposal of non-current assets	8,235,593.91	
Tax repayments or waiving of taxes not officially authorised or not with proper authorisation	0.00	
Government grants accounted for through profit or loss for the current reporting period (excl. grants directly associated with the Company’s operations and subject to national quotas)	3,896,094.04	
Cost of monetary funds charged on non-financial institutions accounted for through profit or loss for the current reporting period	0.00	
Gains from the investment costs paid less than the acquirer’s interest in the fair value of the bargainor’s identifiable net assets(During acquire subsidiary 、 joint venture and associates)	0.00	
Gains or losses arising from non-monetary assets exchange	0.00	
Gains or losses arising from entrusted assets and investments	0.00	
Impairment allowances arising from force majeure, such as natural disasters	0.00	
Gains or losses arising from debt restructuring	0.00	
Restructuring expenses, such as employee settlement and relocation costs and costs of integration	0.00	
Gains or losses arising from transactions of which the prices are deemed unfair (the difference between the price and the fair value)	0.00	
Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the current reporting period to the combination dates.	0.00	
Gains or losses arising from contingent events not associated with the Company’s operating activities	0.00	
Gains or losses arising from changes in the fair values of financial instruments held for trading (excl. effective hedging instruments associated with the Company’s operating activities) or disposal of financial instruments held for trading and available-for-sale financial assets (excl. effective hedging instruments associated with the Company’s operating activities)	26,237,210.53	Investment losses from sold forward exchange contracts and gains from fair value changes
Recovery of impairment allowance for receivables subject to individual assessment for impairment	0.00	
Gains or losses arising from entrusted borrowings	0.00	
Gains or losses arising from changes in the fair values of investment property measured at fair value	0.00	
Impact of one-off adjustment required by tax laws, accounting standards and relevant regulations on the profit or loss for the current reporting period	0.00	
Revenue arising from entrusted operation	0.00	

<u>Items</u>	<u>Amounts</u>	<u>Remarks</u>
Other non-operating revenue and non-operating expenses not listed above	584,521.48	
Other gains or losses satisfying the definition of extraordinary gains or losses	<u>297,175.94</u>	Gains from disposal of subsidiary
Subtotal	<u>39,250,595.90</u>	
Less: Effect of corporate income tax	5,784,142.82	
Less: Net amount attributable to minority interests (after tax)	<u>8,290,806.51</u>	
Total	<u>25,175,646.57</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	2.09%	0.01	0.01
	For year 2010	15.01%	0.06	0.06
Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses)	For year 2011	-3.37%	-0.01	-0.01
	For year 2010	13.78%	0.05	0.05

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

Including : P_0 : is the net profits attributable to ordinary shareholders or net profits attributable to ordinary shareholders that have deducted extraordinary profits or losses; NP : is the net profits attributable to ordinary shareholders; E_0 : is the beginning balance of net assets attributable to ordinary shareholders; E_i : is incremental the net assets attributable to ordinary shareholders as a result of the conversion of a debt instrument to ordinary shares or issued new shares ; E_j : is decrement the net assets attributable to ordinary shareholders as a result of ordinary shares bought back or cash dividends, etc; M_0 : is the number of month during the reporting period; M_i : is the accumulative months that is from the next month of incremental net assets to the month of end of reporting period; M_j : is the accumulative months that is from the next month of decrement net assets to the month of end of reporting period; E_k : is the changes of net assets that attributable to ordinary shareholders, caused by other transactions or events; M_k : is the accumulative months that is from the next month of other changes in net assets to the month of end of reporting period. For business combination under common control, the merged party's net assets shall be weighting from the beginning of the report period; When calculate the weighted average yield rate of net assets after deduct extraordinary gains or losses, the merged party's net assets shall be weighting from the next month of combination date.

12.3 Reasons and details of extraordinary movement of significant items of financial statements

12.3.1 Monetary funds: The 9.96% increase of the balance of monetary funds as at 31/12/2011 from the

balance of monetary funds as at 31/12/2010 mainly results from those matured accounts receivable collected and increased accounts payable, that belong to immature and shall be paid by L/C;

12.3.2 Held for trading financial assets: The 1.01 times increase of the balance of held for trading financial assets as at 31/12/2011 from the balance of held for trading financial assets as at 31/12/2010 mainly results from the appreciation of currency (RMB to USD), and the appreciation of un-settlement of forward exchange contracts as at the end of period;

12.3.3 Notes receivable: The 30.79% decrease of the notes receivable as at 31/12/2011 from the balance of notes receivable as at 31/12/2010 mainly results from those matured notes receivable regained;

12.3.4 Advances to suppliers: The 20.06% decrease of the balance of advances to suppliers as at 31/12/2011 from the balance of advances to suppliers as at 31/12/2010 mainly results from the decrease of purchase of raw materials;

12.3.5 Interests receivable: The 11.84 times increase of the balance of interests receivable as at 31/12/2011 from the balance of interests receivable as at 31/12/2010 mainly results from the increase of fixed deposits;

12.3.6 Other receivables: The 40.20% decrease of the balance of other receivables as at 31/12/2011 from the balance of other receivables as at 31/12/2010 mainly results from the amount of tax reimbursement have been received during the current reporting period;

12.3.7 Inventories: The 13.84% increase of the inventories as at 31/12/2011 from the balance of inventories as at 31/12/2010 mainly results from the intentional preparation stocks for the cessation of production during 2012 Chinese new year, as a result, those finished goods increased;

12.3.8 Long-term receivables: The 30.11% decrease of the balance of long-term receivables as at 31/12/2011 from the balance of long-term receivables as at 31/12/2010 mainly results from the matured long-term receivables recovered;

12.3.9 Investment property: The 1.24 times increase of the balance of investment property as at 31/12/2011 from the balance of investment property as at 31/12/2010 mainly results from the Company's factory and land use rights used for operating lease, fixed assets and intangible assets transferred to investment properties;

12.3.10 Fixed assets: The 25.71% decrease of the balance of fixed assets as at 31/12/2011 from the balance of fixed assets as at 31/12/2010 mainly results from the disposal of fixed assets to satellite factories and transferred to investment properties;

12.3.11 Construction in progress: The 1.40 times increase of the balance of construction in progress as at 31/12/2011 from the balance of construction in progress as at 31/12/2010 mainly results from the increased uncompleted transformer room project of TKLI;

12.3.12 Intangible assets: The 85.95% decrease of the balance of intangible assets as at 31/12/2011 from the balance of intangible assets as at 31/12/2010 mainly results from the land use rights transferred to investment property;

12.3.13 Goodwill: The 100% decrease of the balance of goodwill as at 31/12/2011 from the balance of goodwill as at 31/12/2010 mainly results from the recognition of impairment allowance provision in full;

12.3.14 Notes payable: The 42.41% decrease of the balance of notes payable as at 31/12/2011 from the balance of notes payable as at 31/12/2010 mainly results from those matured notes payable have been paid and increase of the payments by LC;

12.3.15 Employee benefits payable: The 20.88% increase of the balance of employee benefits payable as at 31/12/2011 from the balance of employee benefits payable as at 31/12/2010 mainly results from the increase of redundancy compensation payments for increased employee turnover, that effected by the downturn in the economy environment;

12.3.16 Taxes payable: The 1.23 times decrease of the balance of taxes payable as at 31/12/2011 from the balance of taxes payable as at 31/12/2010 mainly results from the increased input value added tax, that is approved export tax rebates have not received yet;

12.3.17 Operating revenue: The 12.60% decrease of the revenue for the year ended 31/12/2011 from the revenue for the year ended 31/12/2010 mainly results from the decrease of the sales order caused by the downturn in the economy environment;

12.3.18 Operating cost: The 12.09% decrease of the cost for the year ended 31/12/2011 from the cost for the year ended 31/12/2010 mainly results from the decrease of the operating revenue;

12.3.19 Business tax and surcharges: The 2.76 times increase of the business tax and surcharges for the

year ended 31/12/2011 from the business tax and surcharges for the year ended 31/12/2010 mainly results from cancelled the urban maintenance and construction surcharge and education surcharge privilege for foreign-investment enterprises, therefore payments of those surcharges increased;

12.3.20 Impairment loss on assets: The 3.44 times increase of the impairment loss on assets for the year ended 31/12/2011 from the impairment loss on assets for the year ended 31/12/2010 mainly results from the increase of impairment allowance for inventories and goodwill;

12.3.21 Gains or losses from changes in fair value: The 2.27 times increase of the gains or losses from changes in fair value for the year ended 31/12/2011 from the gains or losses from changes in fair value for the year ended 31/12/2010 mainly results from the appreciation of currency (RMB to USD), and the appreciation of un-settlement of forward exchange contracts as at the end of period;

12.3.22 Investment income: The 9.89 times increase of the investment income for the year ended 31/12/2011 from the investment income for the year ended 31/12/2010 mainly results from the appreciation of currency (RMB to USD), income from forward exchange contracts settled during the current reporting period;

12.3.23 Non-operating income: The 22.09% decrease of the non-operating income for the year ended 31/12/2011 from the non-operating income for the year ended 31/12/2010 mainly results from the decrease of gains from disposal of fixed assets and government grants;

12.3.24 Non-operating expenses: The 70.09% decrease of the non-operating expenses for the year ended 31/12/2011 from the non-operating expenses for the year ended 31/12/2010 mainly results from the decrease of losses from disposal of fixed assets;

12.3.25 Corporate income tax expenses: The 1.78 times increase of the corporate income tax expenses for the year ended 31/12/2011 from the corporate income tax expenses for the year ended 31/12/2010 mainly results from reverse the deferred tax assets recognized before.

Note 13: Authorisation for publication

The financial statements have been authorised to publish by the Board of Directors on 10 March 2012.

Tsann Kuen (China) Enterprise Co., Ltd.

Page [52] to [145] of financial statement and the notes are signature by:

Legal Representative: **Jian Derong**

Chief accountant:Chen Zongyi

Financial director:ChenZongyi