KONKA GROUP CO., LTD.

SEMI-ANNUAL REPORT 2016

2016-47

August 2016

Section I Important Statements, Contents and Terms

The board of directors (the "Board"), the board of supervisors (the "Board of Supervisors") as well as the directors, supervisors and senior management of Konka Group Co., Ltd. (the "Company") hereby guarantee the factuality, accuracy and completeness of the contents of the Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in the Report.

Except for the following directors, all the other directors attended in person the board meeting for the review of the Report.

Name	Office title	Reason for not attending in person	Proxy
Chen Yuehua	Director	On a business trip	Liu Fengxi
Sun Shengdian	Independent Director	On a business trip	N/A

The Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.

Liu Fengxi, head of the Company, Xiao Qing, accounting head for the Report, and Xu Youshan, head of the accounting organ (head of accounting), hereby guarantee that the Financial Report carried in the Report is factual, accurate and complete.

The Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Contents

Terms

Term	Meaning
Company, the Company, the Group	Konka Group Co., Ltd.
Telecommunication Technology	Shenzhen Konka Telecommunications Technology Co., Ltd.
Precision Mold	Shenzhen Konka Precision Mold Manufacturing Co., Ltd.
Konka Household Appliances	Shenzhen Konka Household Appliances Co., Ltd.
Information Network	Shenzhen Konka Information Network Co., Ltd.
Plastic Products	Shenzhen Konka Plastic Products Co., Ltd.
Electrical Appliances	Shenzhen Konka Electrical Appliances Co., Ltd.
Fittings Technology	Shenzhen Konka Electronic Fittings Technology Co., Ltd.
Mudanjiang Appliances	Mudanjiang Arctic Ocean Appliances Co., Ltd.
Chongqing Qingjia	Chongqing Qingjia Electronics Co., Ltd.
Anhui Konka	Anhui Konka Electronic Co., Ltd.
Anhui Household Appliances	Anhui Konka Household Appliances Co., Ltd.
Kunshan Konka	Kunshan Konka Electronic Co., Ltd.
Dongguan Konka	Dongguan Konka Electronic Co., Ltd.
Dongguan Packing	Dongguan Konka Packing Materials Co., Ltd.
Dongguan Mould Plastic	Dongguan Konka Mould Plastic Co., Ltd.
Boluo Konka	Boluo Konka PCB Co., Ltd.
Boluo Precision	Boluo Konka Precision Technology Co., Ltd.
Hong Kong Konka	Hong Kong Konka Co., Ltd.
Konka Household Appliances Investment	Konka Household Appliances Investment & Development Co., Ltd.
Konka Household Appliances International Trading	Konka Household Appliances International Trading Co., Ltd.
Konka America	Konka America, Inc.
Konka Europe	Konka (Europe) Co., Ltd.
Konka Factoring	Konka Factoring (Shenzhen) Co., Ltd.
Wankaida	Shenzhen Wankaida Science and Technology Co., Ltd.
Kunshan Kangsheng	Kunshan Kangsheng Investment Development Co., Ltd.
Anhui Tongchuang	Anhui Konka Tongchuang Household Appliances Co., Ltd.
Indonesia Konka	Indonesia Konka Electronics Co., Ltd.

Shushida Logistics	Shenzhen Shushida Logistics Service Co., Ltd.
Beijing Konka Electronic	Beijing Konka Electronic Co., Ltd.
Konka E-display	Shenzhen Konka E-display Co., Ltd.
E-display Service	Shenzhen E-display Service Co., Ltd.
Xiamen Dalong	Xiamen Dalong Trading Co., Ltd.
Youshi Kangrong	Youshi Kangrong Culture Communication Co., Ltd.
Kangqiao Jiacheng	Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.
Konka SmartTech	Konka SmartTech Limited
Kaikai Shijie	Anhui Kaikai Shijie E-commerce Co., Ltd.
E2info	Shenzhen E2info Network Technology Co., Ltd.
Mobile Interconnection	Shenzhen Konka Mobile Interconnection Technology Co., Ltd.
Commercial System Technology	Shenzhen Konka Commercial System Technology Co., Ltd.
Anhui Jiasen	Anhui Jiasen Precision Technology Co., Ltd.
CSRC	China Securities Regulation Commission
SZSE	Shenzhen Stock Exchange
CSRC Shenzhen Bureau	Shenzhen Bureau of China Securities Regulation Commission
RMB	Renminbi

Section II Corporate Profile

I Corporate information

Stock name	Konka A, Konka B	Stock code	000016, 200016
Changed stock name (if any)	N/A		
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	康佳集团股份有限公司		
Abbr. (if any)	康佳集团		
Company name in English (if any)	KONKA GROUP CO.,LTD		
Abbr. (if any)	KONKA GROUP		
Legal representative	Liu Fengxi		

II Contact information

	Board Secretary	Securities Representative
Name	Wu Yongjun	Miao Leiqiang
Address	Board Secretariat, 24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China	Board Secretariat, 24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China
Tel.	0755-26608866	0755-26608866
Fax	0755-26601139	0755-26601139
E-mail	szkonka@konka.com	szkonka@konka.com

III Other information

1. Ways to contact the Company

Did any change occur to the registered address, office address and their postal codes, website address and email address of the Company during the Reporting Period?

□ Applicable √ Not applicable

The registered address, office address and their postal codes, website address and email address of the Company did not change during the Reporting Period. The said information can be found in the 2015 Annual Report.

2. About information disclosure and the place where the Report is kept

Did any change occur to information disclosure media and the place where the Report is kept during the Reporting Period?

□ Applicable √ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Report and the location where the Report is placed did not change during the Reporting Period. The said information can be found in the 2015 Annual Report.

3. Change of the registered information

Did any change occur to the registered information during the Reporting Period?

□ Applicable √ Not applicable

The registration date and place of the Company, its business license No., taxation registration No. and organizational code did not change during the Reporting Period. The said information can be found in the 2015 Annual Report.

Section III Highlights of Accounting Data and Financial Indicators

I Major accounting data and financial indicators

Whether the Company performs any retroactive adjustments to or restatements of its accounting data of last year due to change in accounting policies or correction of accounting errors

□ Yes √ No

	Reporting Period	Same period of last year	+/- (%)
Operating revenues (RMB)	8, 609, 080, 822. 24	8, 944, 558, 920. 96	-3. 75%
Net profit attributable to shareholders of the Company (RMB)	12, 834, 736. 76	-296, 953, 507. 39	104. 32%
Net profit attributable to shareholders of the Company excluding exceptional profit and loss (RMB)	-28, 736, 147. 20	-333, 938, 231. 98	91. 39%
Net cash flows from operating activities (RMB)	-125, 542, 056. 42	70, 042, 909. 63	-279. 24%
Basic earnings per share (RMB/share)	0. 0053	-0. 1233	104. 30%
Diluted earnings per share (RMB/share)	0. 0053	-0. 1233	104. 30%
Weighted average return on equity (%)	0. 46%	-7. 52%	7. 98%
	As at the end of the Reporting Period	As at the end of last year	+/- (%)
Total assets (RMB)	14, 881, 788, 535. 36	14, 250, 367, 548. 28	4. 43%
Net assets attributable to shareholders of the Company (RMB)	2, 814, 748, 518. 53	2, 814, 382, 870. 81	0. 01%

II Differences in accounting data under domestic and overseas accounting standards

1. Differences in the net profit and the net assets disclosed in the financial reports prepared under international and Chinese accounting standards

□ Applicable √ Not applicable

No such differences for the Reporting Period.

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

□ Applicable √ Not applicable

No such differences for the Reporting Period.

III Exceptional profit and loss

√ Applicable □ Not applicable

Unit: RMB

Item	Reporting Period	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	5, 604, 580. 65	
Government grants charged to the profit/loss for the Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	51, 949, 430. 12	
Profit/loss on entrusting others with investments or asset management	8, 514, 982. 48	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment income from disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effective hedges related to normal business operations of the Company	-18, 141, 655. 39	
Impairment provision reversal for accounts receivable on which the impairment test is carried out separately	72, 735. 80	
Profit/loss on entrusted loans	707, 777. 78	
Non-operating revenue and expense other than the above	11, 582, 662. 03	
Less: Corporate income tax	13, 313, 484. 68	
Minority interests (after tax)	5, 406, 144. 83	
Total	**41, 570, 883. 96**	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

√ Applicable □ Not applicable

Item	Amount involved (RMB)	Reason
Tax rebates on software	84,594,956.03	Government grants closely related to the Company's normal operation and constantly given at certain quotas or amounts according to the government's policies and standards

Section IV Report by the Board of Directors

I Overview

We specialize in the production and operation of color TVs, mobile phones and consumer appliances, which makes us belong to the industries of electronics manufacturing and telecommunication equipment manufacturing.

In the Reporting Period, we accelerated our transformation, pushed forward mechanism reform and focused on the improvement of our basic capability through the chain of planning, R&D, manufacturing, supply, promotion, marketing, after-sales and so on. As a result, our profit increased.

For the Reporting Period, we achieved operating revenues of RMB8.609 billion, down 3.75% from the same period of last year; net profit attributable to our shareholders of RMB12.8347 million, a 104.32% surge from a year earlier; and earnings per share of RMB0.0053/share.

(I) Performances of our main business lines in the Reporting Period:

1. Domestic sale of color TVs

We adjusted our product mix and marketing strategies according to market changes, launching series of quality smart TVs such as the V91, X81, 6000, 3000, etc., which has improved our product sales structure and gross profit margin.

2. Export of color TVs

We adopted a divided task mechanism while strengthening the coordination between finance staff and business staff, made clear the double incentives in respect of business volume and profit, tried to attract more customers and made full use of our back-end resources. As a result, the increased export of our color TVs indicates a better performance in this respect.

3. Mobile phones

Our mobile phones made significant breakthroughs in the third-and-fourth-tier markets of the country, resulting in increased sales volume, sales revenue and domestic brand recognition.

4. Consumer appliances

We carried out a differentiation strategy on our consumer appliances, quickly improving the product structure by expanding the range and increasing incentive for our mid-and-high-end products. As a result, the mid-and-high-end products such as multi-door refrigerators and roller washing machines took up a higher percentage in our total sales volume, which thus brought up the gross profit margin.

(II) The net profit attributable to our owners increased from the same period of last year because:

1. The profitability of our color TVs improved. In the Reporting Period, we integrated our resources,

focused on improving our production coordination capability and overall supply planning capability for the color TV business, and adjusted our color TV mix and marketing strategies in a timely manner according to market changes. These measures have improved the profitability of our color TVs by improving the cost, the sales structure and the inventory turnover speed.

2. Profit on smart TVs increased. In the Reporting Period, taking into account the current development of the smart TV sector, we provided professional, quality Internet contents for customers, creating value for customers and at the same time contributing profit to the Company.

II Analysis of main business

YoY movements in major financial data

Unit: RMB

	Reporting Period	Same period of last year	YoY +/-%	Main reason for movement
Operating revenues	8, 609, 080, 822. 24	8, 944, 558, 920. 96	-3. 75%	
Operating costs	7, 177, 725, 092. 42	7, 791, 215, 800. 57	-7. 87%	
Selling expenses	1, 109, 146, 923. 61	1, 124, 688, 950. 35	-1. 38%	
Administrative expenses	290, 919, 290. 02	292, 238, 903. 71	-0. 45%	
Finance costs	68, 373, 432. 00	99, 066, 911. 17	-30. 98%	Decrease in exchange loss
Corporate income tax	705, 997. 10	-51, 101, 619. 20	101. 38%	Increased profit
R&D expenses	88, 336, 972. 44	104, 617, 216. 07	-15. 56%	
Net cash flows from operating activities	-125, 542, 056. 42	70, 042, 909. 63	-279. 24%	
Net cash flows from investing activities	-63, 713, 124. 67	326, 173, 576. 74	-119. 53%	
Net cash flows from financing activities	1, 154, 153, 257. 89	37, 779, 744. 97	2, 954. 95%	Increase in note financing
Net increase in cash and cash equivalents	981, 795, 915. 13	396, 244, 280. 00	147. 78%	

Major changes to the profit structure or sources of the Company in the Reporting Period:

√ Applicable □ Not applicable

1. The profitability of our color TVs improved. In the Reporting Period, we integrated our resources, focused on improving our production coordination capability and overall supply planning capability for the color TV business, and adjusted our color TV mix and marketing strategies in a timely manner according to market changes. These measures have improved the profitability of our color TVs by improving the cost, the sales structure and the inventory turnover speed.

2. Profit on smart TVs increased. In the Reporting Period, taking into account the current

development of the smart TV sector, we provided professional, quality Internet contents for customers, creating value for customers and at the same time contributing profit to the Company.

Reporting Period progress of the future development planning in the disclosed documents of the Company such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Review the progress of the previously disclosed business plan in the Reporting Period:

Not applicable

III Breakdown of main business

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%
By business segment						
Electronics	7,724,414,205.37	6,397,747,058.44	17.17%	-6.33%	-10.67%	4.02%
Total	7,724,414,205.37	6,397,747,058.44	17.17%	-6.33%	-10.67%	4.02%
By product						
Color TVs	5,367,972,378.49	4,468,618,453.12	16.75%	-8.07%	-10.61%	2.36%
Mobile phones	471,731,609.94	415,431,430.93	11.93%	16.22%	5.41%	9.04%
Customer appliances	829,752,654.59	648,051,838.45	21.90%	0.16%	-0.30%	0.36%
Others	1,054,957,562.35	865,645,335.94	17.95%	-10.04%	-22.61%	13.33%
Total	7,724,414,205.37	6,397,747,058.44	17.17%	-6.33%	-10.67%	4.02%
By geographical segment						
Domestic	5,176,447,693.40	4,024,605,977.81	22.25%	7.68%	3.27%	3.32%
Overseas	2,547,966,511.97	2,373,141,080.63	6.86%	-25.91%	-27.31%	1.79%
Total	7,724,414,205.37	6,397,747,058.44	17.17%	-6.33%	-10.67%	4.02%

IV Core competitiveness analysis

Our capability in R&D, marketing network and manufacturing constitutes our competitive edges. Through resource integration, we will try to make substantial breakthroughs in intelligent products, cloud computing, application of the Internet technology, application software, etc. We will also try to enhance the strength and thickness of technical innovations for improvement of our overall competitiveness.

V Investment analysis

1. Investments in equities of external parties

(1) Investments in external parties

√ Applicable □ Not applicable

Investments in external parties		
Investment amount in the Reporting Period (RMB)	Investment amount in the same period of last year (RMB)	+/-%
6,010,455.00	66,835,410.00	-91.01%
Investees' profile		
Name of investee	Main business scope	The Company's stake in the investee (%)
N/A	N/A	0

(2) Equity-holdings in financial enterprises

□ Applicable √ Not applicable

We had no equity-holdings in financial enterprises at the end of the Reporting Period.

(3) Securities investments

√ Applicable □ Not applicable

Variety of securities	Code of securities	Name of securities	Initial investment cost (RMB)	Opening securities-holdings (share)	Opening securities-holdings (%)	Closing securities-holdings (share)	Closing securities-holdings (%)	Closing book value (RMB)	Profit/loss in the Reporting Period (RMB)	Accounting title	Securities source
Stock	000002	Vanke A	2,311,748.07	117,310	0%	117,310	0%	2,865,883.30	0	Available-for-sale financial assets	Application for newly increased shares
Stock	002787	HYBZ	5,685.00	500	0%	0	0%	0	15,380.40	Available-for-s	New shares

										ale financial assets	subscription
Stock	300500	SZSJ	10,455.00	500	0%	0	0%	0	29,323.22	Available-for-sale financial assets	New shares subscription
Other securities investment held at the period-end			0.00	0	--	0	--	0	0.00	--	--
Total			2,327,888.07	118,310	--	117,310	--	2,865,883.30	44,703.62	--	--
Disclosure date of the announcement about the board's consent for the securities investment					Not applicable						
Disclosure date of the announcement about the general meeting's consent for the securities investment (if any)					Not applicable						

(4) Shareholdings in other listed companies

□ Applicable √ Not applicable

No such situation of the Company during the Reporting Period.

2. Wealth management entrustment, derivative investments and entrustment loans

(1) Wealth management entrustment

√ Applicable □ Not applicable

Unit: RMB'0,000

Name of trustee	Related party or not	Related transaction or not	Product type	Value of entrusted cash	Commencement date	Termination date	Way of repayment	Principals actually recovered in the Reporting Period	Amount provided for impairment (if any)	Projected earnings	Actual profit/loss in the Reporting Period
Shenzhen Shahe Branch of	No	No	Short-term financing	5,000	20 Apr. 2016	22 Jul. 2016	Capital and interest preser	0	0	58.6	43.4

ICBC							vation				
Shenzhen Shahe Branch of ICBC	No	No	Short-term financing	5,000	20 Apr. 2016	Pending	Capital and interest preservation	0	0	-	36.49
Shenzhen Ping An Bank	No	No	Capital preservation financing	30,000	20 Apr. 2016	19 Jul. 2016	Capital and interest preservation	0	0	303.29	239.26
Shenzhen Shahe Branch of ABC	No	No	Capital preservation financing	10,000	21 Apr. 2016	20 Jul. 2016	Capital and interest preservation	0	0	98.63	77.81
Shenzhen Ping An Bank	No	No	Capital preservation financing	5,000	15 Jun. 2016	14 Sep. 2016	Capital and interest preservation	0	0	50.49	8.32
Total				55,000	--	--	--	0	0	511.01	405.28
Source of entrusted cash					Our own funds						
Cumulative amount of principal and earnings overdue					0						
Lawsuits (if applicable)					N/A						
Disclosure date of the announcement about the board's consent for the cash management entrustment (if any)					29 Aug. 2015						
Disclosure date of the announcement about the general meeting's consent for the cash management entrustment (if any)					Not applicable						

(2) Derivative investments

√ Applicable □ Not applicable

Source of investment funds	Dollar financing
Lawsuit (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the investment	2014-05-24
Disclosure date of the announcement about the general meeting's consent for the investment	2014-06-10
Risk analysis and risk control measures for positions held in derivatives in the Reporting Period	We engage in forward forex transactions to reduce the currency risk when securing Dollar financing. This is very needed in our routine operation and is in compliance with the applicable laws and regulations. We have formulated the Management Rules of Konka Group Co., Ltd. for Investment In Derivative Financial Instruments, making clear the relevant consideration and approval procedure, risk control, etc.. We always sign forward forex contracts with large banks such as the Bank of China, which operate steadily and have good credit standing, which could help prevent loss on forward forex contracts due to bank failure.
Changes in market price or fair value of derivatives invested in the Reporting Period (specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives)	How we usually measure the fair value of derivative financial instruments: Based on the forward forex sales and purchase contracts that are signed between the Company and banks and have not expired in a reporting period, we recognize the differences between the quotations for these contracts on the balance sheet dates provided by the banks and the contractual prices as transactional financial assets or liabilities, and the profit/loss on fair value changes is recognized accordingly. Because these contracts have locked in exchange rates, no changes will occur when comparing the fair value on signing dates with that on delivery dates.
Significant changes in the Company's accounting policies and specific accounting principles for derivatives in the Reporting Period as compared to the prior period	No significant changes
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	It is considered necessary for the Company to lock in dollar financing costs through financial instruments, because it could effectively reduce the currency risk when securing dollar financing. The Company has formulated the internal control mechanism for investment in derivative financial instruments, and the relevant risk control measures that the Company has taken are considered effective.

Unit: RMB'0,000

Type of derivative financial instrument	Opening contractual amount	Closing contractual amount	Profit/loss in the Reporting Period	Closing investment amount as a percentage of the Company's closing net assets
Forward forex contract	224,712.77	107,782.25	-1,287.64	36.44%

*Note: Forward foreign exchange contracts signed in 2015,fair value changes of forward forex contracts signed in 2015 generated profit of RMB32 million 590 thousand .

(3) Entrustment loans

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Use of raised funds

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Analysis to main subsidiaries and stock-participating companies

√ Applicable □ Not applicable

Particulars about main subsidiaries and stock-participating companies:

Unit: RMB

Company name	Relationship with the Company	Industry	Main products /services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Shenzhen Wankaida Science and Technology Co., Ltd.	Subsidiary	Electronics industry	Development and maintenance of software technology	RMB100000000	356, 085, 832. 29	352, 800, 091. 38	16, 250, 270. 00	13, 985, 273. 30	13, 559, 724. 40
Shenzhen Konka Information Network Co., Ltd.	Subsidiary	Electronics industry	Production and sale of digital network products	RMB300000000	106, 675, 265. 62	16, 103, 958. 16	124, 701, 775. 25	5, 056, 386. 05	5, 575, 572. 31
Anhui Konka Tongchuang Household Applianc	Subsidiary	Electronics industry	Production and sale of refrigerators, washing machine	RMB1800000000	966, 114, 676. 39	-38, 692, 445. 68	780, 428, 401. 44	10, 145, 503. 96	22, 709, 563. 30

es Co., Ltd.			s and other household appliances						
Anhui Konka Electronic Co., Ltd.	Subsidiary	Electronics industry	Production and sale of multimedia products	RMB1400000000	953,415,489.96	328,365,288.80	1,782,076,379.17	28,833,004.46	41,054,374.04
EnRay Tek Optoelectronics (Shanghai) Co., Ltd.	Joint stock company	Electronics industry	Production and sale of LED	USD64196600	1,392,787,226.52	185,934,052.76	83,883,271.42	-77,915,536.48	-45,113,945.96
Shenzhen Konka Telecommunications Technology Co., Ltd.	Subsidiary	Electronics industry	Production and sale of mobile communication products & sale of multimedia products	RMB1200000000	289,342,057.13	-249,387,945.83	426,081,244.88	-6,009,638.43	-4,831,399.37
Kunshan Konka Electronics Co., Ltd.	Subsidiary	Electronics industry	Production and sale of TFT-LCM and multimedia products	RMB3500000000	663,193,530.34	314,418,162.01	929,589,471.64	-357,420.02	2,408,967.87
Dongguan Konka Electronic Co.,	Subsidiary	Electronics indu	Production and sale of multime	RMB2666700000	625,305,655.39	466,503,216.61	325,252,491.87	-19,496,047.70	-15,305,981.35

Ltd.		stry	dia products						
Hong Kong Konka Co., Ltd.	Subsidiary	Electronics industry	Export & import of electromechanical and electronics	HKD500000	995, 363, 866. 07	94, 545, 308. 06	1, 594, 637, 371. 96	40, 507, 777. 27	33, 739, 406. 73

5. Significant projects invested with non-raised funds

√ Applicable □ Not applicable

Unit: RMB'0,000

Project name	Total planed investment	Input for this period	Cumulative actual input as at the period-end	Project progress	Project earnings	Disclosure date (if any)	Disclosure index (if any)
Kunshan Shuiyue Zhouzhuang Project	200,000	14,706	114,835	57.42%	The Phase I and Phase II residences had completed the construction and were selling while the Phase III residences were still in progress.	6 Jul. 2010	www.cninfo.com.cn
Urban renewal projects of the headquarters factory of Konka Group	690,000	-190	5,565	0.81%	Had acquired the land conceptual drawing and planning permission and was executing the EIA.	21 Nov. 2014	www.cninfo.com.cn
Total	890,000	14,516	120,400	--	--	--	--

VI Performance forecast for January-September 2016

Warning of possible loss or considerable YoY movement in the accumulated net profit made during the period-beginning to the end of the next Reporting Period, as well as the reasons

□ Applicable √ Not applicable

VII Explanation of the Board of Directors and the Board of Supervisors on the "non-standard" auditor's report issued by the CPAs firm for the Reporting Period

□ Applicable √ Not applicable

VIII Explanation of the Board of Directors on the issues mentioned in the “non-standard” auditor’s report issued by the CPAs firm for last year

□ Applicable √ Not applicable

IX Profit distribution in the Reporting Period

Profit distribution plan implemented in the Reporting Period, especially execution and adjustment of any cash dividend plan and any plan for converting capital reserve into share capital

□ Applicable √ Not applicable

The profits distribution of the Company of the first half year was not to distribute any cash bonus or bonus share with no plan for converting capital reserve into share capital.

X Preliminary plan for profit distribution and converting capital reserve into share capital for the Reporting Period

□ Applicable √ Not applicable

The Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital for the first half of the year.

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

□ Applicable √ Not applicable

No such situation of the Company during the Reporting Period.

Section V Significant Events

I. Corporate governance

In the Reporting Period, in strict compliance with the Company Law, the Securities Law and other relevant laws, regulations and rules governing corporate governance of listed companies, as well as the Company's Articles of Association, the Company kept optimizing its corporate governance structure, promoted compliance with applicable laws and regulations in its operation, and performed the information disclosure duty strictly in accordance with the Stock Listing Rules of the Shenzhen Stock Exchange. All directors, supervisors and senior executives of the Company performed their duties diligently. The Shareholders' General Meeting, the Board of Directors and the Supervisory Committee all operated in compliance with relevant laws and regulations. The Company's existing internal control rules played the role of supervision, control and guidance effectively in its production and operation. Independence and transparency of the Company, together with a professional board of directors, ensured that every decision of the Company was made in a scientific procedure. The actual situation of the Company's governance was in compliance with the Company Law and the relevant CSRC requirements.

II. Lawsuits

Significant litigations and arbitrations

□ Applicable √ Not applicable

There was no any significant litigation and arbitration of the Company in the Reporting Period.

Other lawsuits

√ Applicable □ Not applicable

Basic information of the lawsuit (arbitration)	Amount involved in the lawsuit (arbitration) (RMB Ten thousand)	Forming the estimated liabilities or not?	Progress of the lawsuit (arbitration)	Trial result and influence of the lawsuit (arbitration)	Enforcement on the judgment of the lawsuit (arbitration)	Disclosure date	Disclosure index
See the details to the description of the Notes 2. Contingencies of the Chapter XII. Commitments and Contingencies among the notes to the financial statement.							

III. Media's queries

□Applicable √Not applicable

There was no media's common query during the Reporting Period.

IV. Bankruptcy reorganization

□ Applicable √ Not applicable

No event involving bankruptcy reorganization occurred to the Company in the Reporting Period.

V. Asset transactions

1. Purchase of assets

□ Applicable √ Not applicable

There was no purchase of assets by the Company during the Reporting Period.

2. Sale of assets

□ Applicable √ Not applicable

There was no sale of assets by the Company during the Reporting Period.

3. Business combination

□ Applicable √ Not applicable

No business combination occurred to the Company during the Reporting Period.

VI. Implementation of equity incentive and its influence

□ Applicable √ Not applicable

The Company did not make or carry out any equity incentive plan during the Reporting Period.

VII. Significant related-party transactions

1. Related-party transactions concerning routine operation

√ Applicable □ Not applicable

Related party	Relation with the Company	Type of transaction	Contents of transaction	Pricing principle	Transaction price	Transaction amount (RMB'0,000)	As a percentage of transactions of the same kind	Approved transaction line (RMB'0,000)	Over the approved line or not	Mode of settlement	Obtainable market price for transactions of the same kind	Disclosure date	Index to the disclosed information
Anhui Huali Packing Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	1,331.69		5,000	No	Cash	N/A	8 Apr. 2016	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150009.PDF
Shanghai Huali Packing Co.,	Under the same actual controll	Purchase of com	Purchase of mate	Negotiated price	Market price	615.10		2,000	No	Cash	N/A		

Ltd.	er	modities	rials										
Huali Packing (Huizhou) Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	465.08		2,000	No	Cash	N/A		
Shenzhen OCT East Co., Ltd.	Under the same actual controller	Labor service	Maintenance and processing fee income	Negotiated price	Market price	3.54		1,000	No	Cash	N/A		
Shanghai Tianxiang OCT Investment Co., Ltd.	Under the same actual controller	Sales of commodities	Sales of liquid crystal display	Negotiated price	Market price	6.33			No	Cash	N/A		
Total				--	--	2,421.74	--	10,000	--	--	--	--	--
Details of any sales return of a large amount				Not applicable									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the Reporting Period (if any)				The Company has published the Forecasting Public Notice on Routine Related Transaction for Y2016 (public notice No. 2016-20) on Securities Times, Shanghai Securities News, China Securities Journal and Hong Kong Ta Kung Pao as well as the Internet website designated by CSRC http://www.cninfo.com.cn on 8 April 2016. In the Reporting Period, the basis for pricing, transaction price, transaction amount and settlement methods of raw materials purchased by the Company were basically in accordance with the forecast. The total amount was RMB24.2174 million.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				The transaction price was fixed by referring to the market price, which had not any significant difference with the market price.									

2. Related-party transactions arising from acquisition and sale of assets

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Related-party transactions arising from joint investment in external parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Credits and liabilities with related parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Other related transactions

√ Applicable □ Not applicable

(1) For satisfying the need of the current business development of the Company and at the same time reduce the financing cost. The Company reviewed and approved the Proposal on Applying the Entrusted Loan Quota for OCT Holdings Company on the 12th Session of the 8th Board of Directors, which agreed the Company to apply for the entrusted loans not more than RMB5 billion for OCT Holdings Company in Y2016 and needed to withdraw the loans by specific times and periods according to the business when using. What's more, the Company could sign the entrusted loans contract with the bank as well as the OCT Holdings Company within RMB5 billion. And the meeting aslo agreed the interest rate of the entrusted loans not more than the benchmark interest rate of the loans during the same period of People's Bank of China with the interests amount paid for OCT Holdings Company within 1 year by the Company involved with transation should not exceed RMB0.2 billion.

(2) In Y2016, the total amount of the planed private offering of the Company not more than 636,942,675 shares of the A Shares. On 12 April 2016, the Company and the controlling shareholder OCT Holdings Company signed the Share Subscription Contract with Sub Conditione, of which OCT Holdings Company planed to subscribe the private offering A Shares of the Company of 297,239,915 shares in cash. The number of the subsciped shares by the controlling shareholder was with untertainty owning to the events of the private offering shares of the Company still needed to be approved by CSRC.

Related index of the disclosure website of the interim reports on the related transactions

Name	Disclosure date	Disclosed website
Announcement on the Related Transactions	3 Mar. 2016	www.cninfo.com.cn
Announcement on the Private Offering the A Share of the Company Involving with Related Transactions Events	13 Apr. 2016	www.cninfo.com.cn

VIII. Occupation of the Company's funds for non-operating purposes by the controlling shareholder and its related parties

□ Applicable √ Not applicable

The controlling shareholder or its related parties did not occupy the Company's funds for non-operating purposes during the Reporting Period.

IX. Significant contracts and fulfillment thereof

1. Trusteeship, contracting and leasing

(1) Trusteeship

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(3) Leasing

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Guarantees provided by the Company

√ Applicable □ Not applicable

Unit: RMB'0,000

Guarantees provided by the company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
N/A	N/A	0	N/A	0	N/A	0	N/A	N/A
Total external guarantee line approved during the Reporting Period (A1)			0	Total actual occurred amount of external guarantee during the Reporting Period (A2)				0
Total external guarantee line that has been approved at the end of the Reporting Period (A3)			0	Total actual external guarantee balance at the end of the Reporting Period (A4)				0

Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement on the guarantee amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Anhui Tongchuang	21 Nov. 2014	30,000	31 Dec. 2015	10,500	General guaranty	1 year	No	No
Anhui Tongchuang			16 Jun. 2016	2,000	General guaranty	1 year	No	No

Communication technology	21 Nov. 2014	60,000	22 Apr. 2015	50,000	General guaranty	17 months	No	No
Hong Kong Konka	30 Sep. 2013	307,500	17 Sep. 2014	18,880	General guaranty	2 years	No	No
Hong Kong Konka			23 Nov. 2015	43,300	General guaranty	9 months	No	No

Total guarantee line approved for the subsidiaries during the Reporting Period (B1)	427,500	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)	2,000
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)	597,050	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)	124,680

Guarantees provided by the subsidiaries for the subsidiaries

Guaranteed party	Disclosure date of relevant announcement on the guarantee amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
N/A	N/A	0	N/A	0	N/A	0	N/A	N/A

Total guarantee line approved for the subsidiaries during the Reporting Period (C1)	0	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (C2)	0
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (C3)	0	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (C4)	0

Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)

Total guarantee line approved during the Reporting Period (A1+B1+C1)	427,500	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)	2,000
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)	597,050	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	124,680

Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company	44.30%
Of which:	
Amount of guarantee for shareholders, actual controller and related parties (D)	0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)	124,680

Part of the amount of the total guarantee over 50% of net assets (F)	0
Total amount of the above three guarantees (D+E+F)	124,680
Explanation on possible bearing joint responsibility of liquidation due to immature guarantee (if any)	N/A
Explanation on provision of guarantees for external parties in violation of the prescribed procedure (if any)	N/A

Explanation on guarantee that adopts complex method

There was no any guarantee that adopted complex method of the Company during the Reporting Period.

(1) Illegal provision of guarantees for external parties

□ Applicable √ Not applicable

The Company did not illegally provide any guarantee for any external party in the Reporting Period.

3. Other significant contracts

□ Applicable √ Not applicable

There was no other significant contract of the Company in the Reporting Period.

4. Other significant transactions

□ Applicable √ Not applicable

The Company was not involved in any other significant transaction in the Reporting Period.

X. Commitments made by the Company or any shareholder holding over 5% of the Company's shares in the Reporting Period or such commitments carried down into the Reporting Period

√ Applicable □ Not applicable

Commitment	Commitment maker	Contents of commitment	Date of commitment	Period of commitment	Execution
Commitments at the time of initial public issuance or re-financing	Konka Group Co., Ltd.	The irregularity actions such as hadn't disclose the idle land, bid up the land price with property hoarding as well as bid up the housing prices by the subsidiaries which engaged in the real estate business that subordinated to Konka Group Co., Ltd. caused the losses for the listed companies and the investors, those subsidiaries should burden the compensation responsibility.	12 Apr. 2016	Long-term	Being normally executing.
	OCT Holdings Company	The irregularity actions such as hadn't disclose the idle land, bid up the land price with property hoarding as well as bid up the housing prices by the subsidiaries which engaged in the real estate business that subordinated to Konka Group Co., Ltd. caused the losses for the listed companies and the	12 Apr. 2016	Long-term	Being normally executing.

		investors, those subsidiaries should burden the compensation responsibility.			
	Directors and Senior Executive Staffs of Konka Group Co., Ltd.	(I) I committed neither to gratuitously transport the benefits or with unfair conditions for other units or individuals nor to harm the interests of the Company through other methods; (II) I committed to restrain myself for my position consumer behaviors; (III) I committed not to engage in the investment or consumption activities irrelevant with my duty on the position by employing the Company's assets; (IV) I committed to connect the salary system that established by the Board of Directors or the Remuneration and Appraisal Committee with the execution of the Company's filling up and return measures; (V) I committed the vesting conditions of the stock ownership incentive and the execution of the Company's filling up and return measures link correspondingly if the Company would execute the former in the future. And as the responsibility main body of the practical performance of the private offering filling up prompt return measures, I would like to undertake the corresponding legal liability if violated or refused to perform the above-mentioned commitments.	12 Apr. 2016	1 year	China Securities Regulatory Commission is reviewing the refinancing matters, so the commitment has not yet entered into force.
	OCT Holdings Company	The Company committed not to carry out any excessive intervention in the operating and management activities of Konka Group Co., Ltd. and not carry out any embezzlement of the interests of Konka Group Co., Ltd.. If the Company violated or refused to perform the above commitments should willing to undertake corresponding legal liability.	12 Apr. 2016	1 year	
Executed timely or not?			No		
Detailed reason for failing to execute and the next plan (if any)			Not applicable		

XI. Engagement and disengagement of the CPAs firm

Has the semi-annual financial report been audited?

□ Yes √ No

The semi-annual financial report had not been audited.

XII. Punishment and rectification

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII. Delisting risk due to violation of laws or regulations

□ Applicable √ Not applicable

No such risk in the Reporting Period.

XIV. Other significant events

√ Applicable □ Not applicable

1. Progress of the private offering shares of the Company

In present, the relevant proposals such as the Proposal on the Preplan for the Private Offering A Share of the Copmany had been reviewed and approved by the Board of Directors and Annual General Meeting with the reply from the SASAC. And the CSRC were executing the verification and review on the private offering shares of the Company.

As for the relevant contents of the private offering shares, please refer to the announcements of the company on http://www.cninfo.com.cn.

No.	Time	Name of announcement	Page	Link
				www.cninfo.com.cn
2016-01	2016-1-23	Announcement on the 2015 Earnings Forecasts	Securities Times B32, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-01-23/1201934829.PDF
2016-02	2016-1-27	Announcement on the Resolution of the 11th Session of the 8th Board of Directors	Securities Times B40, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2016-01-27/1201943171.PDF
2016-03	2016-1-27	Announcement on the Resolution of the 7th Session of the 8th Board of Supervisors	Securities Times B40, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2016-01-27/1201943172.PDF
2016-04	2016-2-27	Indicative Announcement on the Listing and Circulating of the Restricted Shares	Securities Times B48, Ta Kung Pao A21	http://www.cninfo.com.cn/finalpage/2016-02-27/1202003527.PDF
2016-06	2016-3-3	Announcement on the Resolution of the 12th Session of the 8th Board of Directors	Securities Times B29, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2016-03-03/1202017481.PDF
2016-07	2016-3-3	Announcement on the Related Transactions	Securities Times B29,Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2016-03-03/1202017480.PDF
2016-08	2016-3-3	Notice on Convening the 2016 1st Extraordinary General Meeting	Securities Times B29, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2016-03-03/1202017482.PDF
2016-09	2016-3-16	Indicative Announcement on Convening the 2016 1st Extraordinary General Meeting	Securities Times B44, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2016-03-16/1202045996.PDF
2016-10	2016-3-17	Announcement on the Delisting owning to Significant Events	Securities Times B45, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-03-17/1202051293.PDF
2016-11	2016-3-17	Indicative Announcement on the Temporarily Ceasing of the Listing and	Securities Times B24, Ta Kung	http://www.cninfo.com.cn/finalpage/2016-03-17/1202051277.PDF

		Transferring of the Yishijie Company	PaoB4	
2016-12	2016-3-22	Announcement on the Resolution of the 2016 1st Extraordinary General Meeting	Securities Times B64,Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2016-03-22/1202063800.PDF
2016-13	2016-3-24	Announcement on the Progress of the Significant Events	Securities Times B25, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2016-03-24/1202068976.PDF
2016-14	2016-3-26	Announcement on Receiving the Tax Reimbursement Events	Securities Times B73, Ta Kung Pao A21	http://www.cninfo.com.cn/finalpage/2016-03-26/1202081746.PDF
2016-15	2016-3-31	Announcement on the Progress of the Significant Events	Securities Times B73, Ta Kung Pao A21	http://www.cninfo.com.cn/finalpage/2016-03-31/1202110076.PDF
2016-16	2016-4-8	Announcement on the 2015 Annual Report	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150039.PDF
2016-17	2016-4-8	Announcement on the Abstract of the 2015 Annual Report	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150021.PDF
2016-18	2016-4-8	Announcement on the Resolution of the 13th Session of the 8th Board of Directors	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150019.PDF
2016-19	2016-4-8	Announcement on the Resolution of the 8th Session of the 8th Board of Supervisors	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150026.PDF
2016-20	2016-4-8	Announcement on the Expectation of the 2016 Routine Related Transaction	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150009.PDF
2016-21	2016-4-8	Announcement on the External Guarantee	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150010.PDF
2016-22	2016-4-8	Notice on Convening the 2015 Annual General Meeting	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150020.PDF
2016-23	2016-4-8	Announcement on the Progress of the Significant Events	Securities Times B40, Ta Kung Pao A29	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150011.PDF
2016-24	2016-4-13	Announcement on the Notes to the Number of the Subscription Entities	Securities Times B11, Ta Kung Pao	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169859.PDF

		Involved after the Penetration of the Subscription Target of the Private Offering A Shares	B8	
2016-25	2016-4-13	Announcement on the Risks Reminders of the Diluted Prompt Return of the Private Offering Shares and the Filling Up Measures	Securities Times B11, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169860.PDF
2016-26	2016-4-13	Announcement on the Related Transactions Involved with the Private Offering A Shares of the Company	Securities Times B11,Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169862.PDF
2016-27	2016-4-13	Announcement on the Company signed the Share Subscription Contract with Sub Conditione with the Subscription Target of Konka Group Co., Ltd.	Securities Times B11, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169863.PDF
2016-28	2016-4-13	Notes to the Specific Report on the Company Needn't to Compile the Previous Raise Funds Usage Situation	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169864.PDF
2016-29	2016-4-13	Announcement on the Resolution of the 14th Session of the 8th Board of Directors	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169865.PDF
2016-30	2016-4-13	Announcement on the Resolution of the 9th Session of the 8th Board of Supervisors	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169866.PDF
2016-31	2016-4-13	Indicative Announcement on the Resumption of the Significant Events	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169867.PDF
2016-32	2016-4-23	Indicative Announcement on Convening the 2015 Annual General Meeting	Securities Times B44, Ta Kung Pao B17	http://www.cninfo.com.cn/finalpage/2016-04-23/1202225330.PDF
2016-33	2016-4-29	2016 First Quarter Report	Securities Times B84, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-29/1202263671.PDF
2016-34	2016-4-29	Text of the 2016 First Quarter Report		http://www.cninfo.com.cn/finalpage/2016-04-29/1202263674.PDF
2016-35	2016-4-30	Announcement on the Resolution of the 2015 Annual General Meeting	Securities Times B212, Ta Kung Pao A10	http://www.cninfo.com.cn/finalpage/2016-04-30/1202282189.PDF
2016-36	2016-5-4	Announcement on the Resolution of the 16th Session of the 8th Board of Directors	Securities Times B36, Ta Kung Pao	http://www.cninfo.com.cn/finalpage/2016-05-04/1202287814.PDF

			B1	
2016-37	2016-5-11	Announcement on the Resign of the Vice President of the Company	Securities Times B64, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2016-05-11/1202314647.PDF
2016-38	2016-5-12	Announcement on Receiving the Reply from SASAC of the Private Offering	Securities Times B56, Ta Kung Pao A16	http://www.cninfo.com.cn/finalpage/2016-05-12/1202316512.PDF
2016-39	2016-5-12	Indicative Announcement on Convening the 2016 2nd Extraordinary General Meeting	Securities Times B56, Ta Kung Pao A16	http://www.cninfo.com.cn/finalpage/2016-05-12/1202316511.PDF
2016-40	2016-5-20	Announcement on the Resolution of the 2016 2nd Extraordinary General Meeting	Securities Times B76, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-05-20/1202330961.PDF
2016-41	2016-6-22	Announcement on the Receiving of the Acceptance of the Private Offering Application from CSRC	Securities Times B45, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2016-06-22/1202380173.PDF
2016-42	2016-6-25	Announcement on Receiving the Tax Reimbursement	Securities Times B24, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-06-25/1202402692.PDF

XV Corporate bonds

Corporate bonds publicly offered and listed on the stock exchange which were undue before the approval date of the Report or were due but could not be redeemed in full

No

Section VI Share Changes and Shareholders' Profile

I Changes in shares

Unit: Share

Reasons for share changes

	Before		Increase/decrease (+/-)					After	
	Number	Percentage	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage
I. Shares subject to trading moratorium	396, 932, 960	16. 48%				−396, 932, 960	−396, 932, 960	0	0%
2. Shares held by state-owned corporation	396, 763, 880	16. 48%				−396, 763, 880	−396, 763, 880	0	0%
.3 Shares held by other domestic investors	169, 080	0%				−169, 080	−169, 080	0	0%
Shares held by the domestic individuals	169, 080	0%				−169, 080	−169, 080	0	0%
II. Shares not subject to trading moratorium	2, 011, 012, 448	83. 52%				396, 932, 960	396, 932, 960	2, 407, 945, 408	100%
1. RMB ordinary shares	1, 199, 829, 920	49. 83%				396, 763, 880	396, 763, 880	1, 596, 593, 800	66. 31%
2. Domestically listed foreign shares	811, 182, 528	33. 69%				169, 080	169, 080	811, 351, 608	33. 69%
III. Total shares	2, 407, 945, 408	100%				0		2, 407, 945, 408	100%

√ Applicable □ Not applicable

1. 2 March 2016, 396,763,880 shares of the Company; stocks held by OCT Holdings Company were relieved the restriction. See the details on the Indicative Announcement on the Listing and Circulating of the Restricted Shares disclosed on 27 February by the Company (Announcement No.

2016-04).

2. Mr. Zhang Guanghui had resigned the position as a Supervisor officially on 5 November 2015 with the 169,080 shares subject to trading moratorium held by whom of the Company's had all automatically terminated the restriction on 5 May 2016.

Reasons for changes in shares

□ Applicable √ Not applicable

Approval of share changes

□ Applicable √ Not applicable

Transfer of share ownership

□ Applicable √ Not applicable

Effects of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and the last Reporting Period

□ Applicable √ Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

□ Applicable √ Not applicable

Change of the total shares, shareholder structure, asset structure and liability structure

□ Applicable √ Not applicable

II. Total number of shareholders and their shareholdings

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period	153,573	Total number of preference shareholders who had resumed their voting right at the end of the Reporting Period (if any) (see note 8)						0
Shareholdings of ordinary shareholders with a stake over 5% or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held at the end of the Reporting Period	Increase/decrease of shares during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status of shares	Number of shares
OCT Enterprises Co.	State-owned corporation	21.75%	523,746,932	0	0	523,746,932	Pledged	0
							Frozen	0
CITIC Securities Brokerage (Hong Kong) Co., Ltd.	Foreign corporation	7.48%	180,001,110	0	0	180,001,110	Pledged	0
							Frozen	0

Guoyuan Securities Broker (HK) Co., Ltd.	Foreign corporation	2.33%	55,987,919	-3,839,251	0	55,987,919	Pledged	0
							Frozen	0
Holy Time Group Limited	Foreign corporation	2.32%	55,971,924	3,391,570	0	55,971,924	Pledged	0
							Frozen	0
Gaoling Fund, L.P.	Foreign corporation	2.19%	52,801,250	0	0	52,801,250	Pledged	0
							Frozen	0
CMS (HK)	State-owned corporation	1.04%	24,987,716	2,260,912	0	24,987,716	Pledged	0
							Frozen	0
Nam Ngai	Foreign Individual	0.97%	23,285,040	-96,000	0	23,285,040	Pledged	0
							Frozen	0
CSI Capital Management Limited	Foreign corporation	0.83%	20,050,928	-500,000	0	20,050,928	Pledged	0
							Frozen	0
Meng Diliang	Domestic Individual	0.58%	13,851,983	13,851,983	0	13,851,983	Pledged	0
							Frozen	0
Nanhua Futures Co., Ltd. — Nanhua Futures Silver Leaf No. 2 Assets Management Plan	Other	0.44%	10,698,201	10,698,201	0	10,698,201	Pledged	0
							Frozen	0
Strategic investor or general corporation becoming a top ten ordinary shareholder due to placing of new shares (if any) (see Note 3)		N/A						
Related or act-in-concert parties		Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority						

among the shareholders above	shareholder OCT Enterprises Co., holds 180,001,110 and 18,360,000 ordinary shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and CMS (HK). Jialong Investment Limited and OCT Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.

Particulars about shares held by the top ten common shareholders holding shares not subject to trading moratorium			
Name of shareholder	Number of tradable shares held at the period-end	Type of shares	
		Type	Number
OCT Enterprises Co.	523,746,932	RMB ordinary share	523,746,932
CITIC Securities Brokerage (Hong Kong) Co., Ltd.	180,001,110	Domestically listed foreign shares	180,001,110
Guoyuan Securities Broker (HK) Co., Ltd.	55,987,919	Domestically listed foreign shares	55,987,919
Holy Time Group Limited	55,971,924	Domestically listed foreign shares	55,971,924
Gaoling Fund, L.P.	52,801,250	Domestically listed foreign shares	52,801,250
CMS (HK)	24,987,716	Domestically listed foreign shares	24,987,716
Nam Ngai	23,285,040	Domestically listed foreign shares	23,285,040
CSI Capital Management Limited	20,050,928	Domestically listed foreign shares	20,050,928
Meng Diliang	13,851,983	RMB ordinary share	13,851,983
Nanhua Futures Co., Ltd. — Nanhua Futures Silver Leaf No. 2 Assets Management Plan	10,698,201	RMB ordinary share	10,698,201

Related or act-in-concert parties among the top 10 non-restricted ordinary shareholders as well as between the top 10 non-restricted	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder OCT Enterprises Co., holds 180,001,110 and 18,360,000 ordinary shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and CMS (HK). Jialong Investment Limited and OCT Enterprises Co. are parties acting in

ordinary shareholders and the top 10 ordinary shareholders	concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.
Top 10 ordinary shareholders conducting securities margin trading (if any) (see Note 4)	Meng Diliang holds 13,851,983 A-shares in the Company through a client account of collateral securities for margin trading in Essence Securities Co., Ltd..

Did any of the top 10 ordinary shareholders or the top 10 non-restricted ordinary shareholders of the Company conduct any promissory repo during the Reporting Period?

□ Yea √ No

No such cases in the Reporting Period.

III Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Change of the actual controller in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

IV Any shareholding increase plan proposed or implemented by any shareholder or its act-in-concert parties during the Reporting Period

√ Applicable □ Not applicable

In Y2016, the total amount of the planed private offering of the Company not more than 636,942,675 shares of the A Shares. On 12 April 2016, the Company and the controlling shareholder OCT Holdings Company signed the Share Subscription Contract with Sub Conditione, of which OCT Holdings Company planed to subscribe the private offering A Shares of the Company of 297,239,915 shares in cash. The number of the subsciped shares by the controlling shareholder was with untertainty owning to the events of the private offering shares of the Company still needed to be approved by CSRC.

Section VII Preference Shares

□ Applicable √ Not applicable

No preference shares in the Reporting Period.

Section VIII Directors, Supervisors and Senior Management

I. Changes in shareholding of Directors, Supervisors and Senior Management Staff

□ Applicable √ Not applicable

There was no change in shareholding of Directors, Supervisors and Senior Management Staffs, for the specific information please refer to the 2015 Annual Report.

II. Change of directors, supervisors and senior management staff

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Lin Gaike	Vice President	Left	9 May 2016	Owning to personal reasons.

Section IX Financial Report

I Auditor's report

Has this semi-annual report been audited?

□ Yes √ No

This semi-annual financial report has not been audited.

II Financial statements

Currency unit for the statements in the notes to these financial statements: RMB

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	2, 598, 216, 832. 20	1, 706, 446, 928. 92
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss	15, 462, 265. 94	33, 196, 377. 28
Derivative financial assets		
Notes receivable	2, 458, 053, 333. 17	2, 880, 860, 750. 44
Accounts receivable	2, 041, 011, 200. 19	2, 048, 813, 439. 34
Accounts paid in advance	390, 800, 922. 01	193, 664, 620. 66
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable	5, 287, 614. 37	7, 426, 409. 52
Dividends receivable	10, 171, 609. 48	
Other accounts receivable	121, 908, 173. 25	160, 165, 779. 82
Financial assets purchased under agreements to resell		
Inventories	2, 925, 556, 540. 93	2, 882, 515, 913. 28
Assets held for sale		
Non-current assets due within one year		
Other current assets	749, 984, 012. 78	647, 311, 938. 45
Total current assets	11, 316, 452, 504. 32	10, 560, 402, 157. 71
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	311, 966, 097. 66	311, 974, 282. 66

Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	276, 561, 119. 65	190, 573, 524. 29
Investment property	224, 902, 541. 38	227, 718, 178. 53
Fixed assets	1, 604, 828, 298. 83	1, 763, 503, 189. 50
Construction in progress	173, 840, 293. 07	207, 854, 180. 88
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	302, 534, 275. 68	352, 591, 887. 48
R&D expenses		
Goodwill	3, 597, 657. 15	3, 597, 657. 15
Long-term deferred expenses	81, 308, 337. 05	82, 846, 982. 07
Deferred tax assets	585, 797, 410. 57	549, 305, 508. 01
Other non-current assets		
Total non-current assets	3, 565, 336, 031. 04	3, 689, 965, 390. 57
Total assets	14, 881, 788, 535. 36	14, 250, 367, 548. 28
Current liabilities:		
Short-term borrowings	4, 588, 542, 749. 93	4, 150, 773, 195. 76
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss	607, 587. 55	
Derivative financial liabilities		
Notes payable	1, 576, 295, 677. 85	929, 176, 857. 06
Accounts payable	2, 397, 684, 987. 37	2, 980, 416, 983. 25
Accounts received in advance	1, 095, 680, 485. 97	349, 784, 807. 32
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	215, 805, 759. 96	279, 631, 258. 71
Taxes and fares payable	94, 188, 828. 34	92, 097, 951. 90
Interest payable	17, 321, 232. 74	20, 552, 763. 14
Dividends payable		
Other accounts payable	1, 534, 161, 912. 92	1, 550, 931, 573. 35
Reinsurance premiums payable		
Insurance contract reserve		
Payables for acting trading of securities		

Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year	198,777,984.78	573,398,959.65
Other current liabilities		
Total current liabilities	11,719,067,207.41	10,926,764,350.14
Non-current liabilities:		
Long-term borrowings		23,700,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable	30,123,076.96	30,133,333.37
Long-term payroll payable	20,652,314.24	23,435,856.86
Special payables		
Provisions	4,711,597.59	4,629,554.61
Deferred income	144,644,524.59	162,786,004.20
Deferred tax liabilities	4,686,260.02	3,468,031.97
Other non-current liabilities		
Total non-current liabilities	204,817,773.40	248,152,781.01
Total liabilities	11,923,884,980.81	11,174,917,131.15
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	80,899,084.39	78,209,535.19
Less: Treasury shares		
Other comprehensive income	-12,002,894.24	3,155,744.00
Special reserve		
Surplus reserve	847,908,466.28	847,908,466.28
Provisions for general risks		
Retained earnings	-510,001,545.90	-522,836,282.66
Equity attributable to owners of the Company	2,814,748,518.53	2,814,382,870.81
Minority interests	143,155,036.02	261,067,546.32
Total owners' equity	2,957,903,554.55	3,075,450,417.13
Total liabilities and owners' equity	14,881,788,535.36	14,250,367,548.28

Legal representative: Liu Fengxi Chief of the accounting work: Xiao Qing

Chief of the accounting organ: Xu Youshan

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1, 368, 113, 756. 52	502, 899, 530. 83
Financial assets at fair value through profit/loss	15, 462, 265. 94	7, 184, 035. 29
Derivative financial assets		
Notes receivable	2, 228, 459, 839. 02	2, 635, 643, 772. 62
Accounts receivable	1, 735, 206, 602. 19	1, 417, 915, 276. 56
Accounts paid in advance	799, 360, 624. 63	372, 509, 871. 77
Interest receivable	10, 318, 031. 05	14, 901, 123. 48
Dividends receivable		
Other accounts receivable	1, 117, 623, 693. 70	938, 447, 798. 08
Inventories	1, 597, 555, 765. 74	1, 771, 302, 947. 50
Assets held for sale		
Non-current assets due within one year		
Other current assets	698, 755, 624. 48	530, 272, 796. 83
Total current assets	9, 570, 856, 203. 27	8, 191, 077, 152. 96
Non-current assets:		
Available-for-sale financial assets	271, 916, 097. 66	271, 924, 282. 66
Held-to-maturity investments	300, 000, 000. 00	352, 000, 000. 00
Long-term accounts receivable		
Long-term equity investments	1, 642, 656, 278. 35	1, 621, 195, 118. 22
Investment property	224, 902, 541. 38	227, 718, 178. 53
Fixed assets	503, 401, 495. 39	512, 933, 612. 51
Construction in progress	12, 436, 925. 45	12, 619, 010. 21
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	87, 988, 201. 92	88, 336, 594. 02
R&D expenses		
Goodwill		
Long-term deferred expenses	60, 005, 130. 51	57, 865, 790. 98
Deferred tax assets	541, 803, 004. 08	504, 252, 794. 29
Other non-current assets		
Total non-current assets	3, 645, 109, 674. 74	3, 648, 845, 381. 42
Total assets	13, 215, 965, 878. 01	11, 839, 922, 534. 38

Current liabilities:		
Short-term borrowings	4, 290, 090, 735. 59	1, 022, 612, 362. 58
Financial liabilities at fair value through profit/loss	607, 587. 55	
Derivative financial liabilities		
Notes payable	1, 164, 440, 075. 89	377, 002, 860. 08
Accounts payable	2, 310, 488, 841. 49	5, 173, 897, 087. 35
Accounts received in advance	553, 275, 573. 46	251, 204, 710. 89
Payroll payable	107, 865, 817. 71	118, 684, 992. 99
Taxes and fares payable	15, 507, 111. 50	31, 360, 675. 68
Interest payable	12, 084, 447. 45	7, 761, 519. 53
Dividends payable		
Other accounts payable	1, 681, 167, 162. 38	1, 667, 884, 936. 14
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	10, 135, 527, 353. 02	8, 650, 409, 145. 24
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Provisions	4, 711, 597. 59	4, 629, 554. 61
Deferred income	85, 769, 463. 79	88, 668, 785. 51
Deferred tax liabilities	3, 852, 203. 40	1, 935, 167. 63
Other non-current liabilities		
Total non-current liabilities	94, 333, 264. 78	95, 233, 507. 75
Total liabilities	10, 229, 860, 617. 80	8, 745, 642, 652. 99
Owners' equity:		
Share capital	2, 407, 945, 408. 00	2, 407, 945, 408. 00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	49, 195, 156. 54	46, 505, 607. 34
Less: Treasury shares		
Other comprehensive income	2, 444, 272. 73	1, 803, 252. 77

Special reserve		
Surplus reserve	847, 908, 466. 28	847, 908, 466. 28
Retained earnings	-321, 388, 043. 34	-209, 882, 853. 00
Total owners' equity	2, 986, 105, 260. 21	3, 094, 279, 881. 39
Total liabilities and owners' equity	13, 215, 965, 878. 01	11, 839, 922, 534. 38

3. Consolidated income statement

Unit: RMB

Item	Reporting Period	Same period of last year
I. Total operating revenues	8, 609, 080, 822. 24	8, 944, 558, 920. 96
Including: Sales income	8, 609, 080, 822. 24	8, 944, 558, 920. 96
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	8, 741, 569, 244. 93	9, 373, 665, 025. 38
Including: Cost of sales	7, 177, 725, 092. 42	7, 791, 215, 800. 57
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	56, 149, 941. 54	28, 710, 006. 67
Selling and distribution expenses	1, 109, 146, 923. 61	1, 124, 688, 950. 35
Administrative expenses	290, 919, 290. 02	292, 238, 903. 71
Financial expenses	68, 373, 432. 00	99, 066, 911. 17
Asset impairment loss	39, 254, 565. 34	37, 744, 452. 91
Add: Gain/(loss) from change in fair value ("-" means loss)	-18, 141, 655. 39	
Gain/(loss) from investment ("-" means loss)	10, 586, 381. 62	7, 185, 454. 13
Including: share of profits in associates and joint ventures	-7, 531, 575. 68	-5, 017, 326. 86
Foreign exchange gains ("-" means loss)		
III. Business profit ("-" means loss)	-140, 043, 696. 46	-421, 920, 650. 29

Add: non-operating income	154,187,662.64	69,423,163.55
Including: Gains on disposal of non-current assets	3,147,161.67	140,774.90
Less: non-operating expense	3,531,018.36	3,222,304.15
Including: Losses on disposal of non-current assets	617,565.57	1,333,624.80
IV. Total profit ("-" means loss)	10,612,947.82	-355,719,790.89
Less: Income tax expense	705,997.10	-51,101,619.20
V. Net profit ("-" means loss)	9,906,950.72	-304,618,171.69
Net profit attributable to owners of the Company	12,834,736.76	-296,953,507.39
Minority shareholders' income	-2,927,786.04	-7,664,664.30
VI. After-tax net amount of other comprehensive incomes	-15,440,224.77	1,132,503.31
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-15,158,638.24	765,032.54
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-15,158,638.24	765,032.54
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-1,875.00	90,185.65
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	-15,156,763.24	674,846.89

6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders	-281, 586. 53	367, 470. 77
VII. Total comprehensive incomes	-5, 533, 274. 05	-303, 485, 668. 38
Attributable to owners of the Company	-2, 323, 901. 48	-296, 188, 474. 85
Attributable to minority shareholders	-3, 209, 372. 57	-7, 297, 193. 53
VIII. Earnings per share		
(I) Basic earnings per share	0. 0053	-0. 1233
(II) Diluted earnings per share	0. 0053	-0. 1233

Where business mergers under the same control occurred in this Reporting Period, the net profit achieved by the merged parties before the business mergers was RMBXXX, with the corresponding amount for the last period being RMBXXX.

Legal representative: Liu Fengxi Chief of the accounting work: Xiao Qing

Chief of the accounting organ: Xu Youshan

4. Income statement of the Company

Unit: RMB

Item	Reporting Period	Same period of last year
I. Total sales	6, 445, 980, 538. 16	7, 789, 566, 135. 08
Less: cost of sales	5, 638, 759, 127. 68	7, 039, 398, 999. 32
Business taxes and surcharges	21, 209, 160. 52	14, 474, 426. 92
Distribution expenses	808, 506, 711. 94	809, 860, 840. 08
Administrative expenses	152, 850, 562. 16	153, 399, 610. 11
Financial costs	72, 822, 853. 13	11, 216, 562. 70
Impairment loss	24, 699, 388. 50	18, 082, 479. 13
Add: gain/(loss) from change in fair value (“-” means loss)	7, 670, 643. 10	
Gain/(loss) from investment (“-” means loss)	20, 628, 022. 12	39, 372, 796. 93
Including: income form investment on associates and joint ventures	4, 112, 715. 97	-1, 682, 308. 76
II. Business profit (“-” means loss)	-244, 568, 600. 55	-217, 493, 986. 25
Add: non-operating income	98, 624, 509. 69	39, 750, 811. 83
Including: Gains on disposal of non-current assets	264, 303. 85	78, 912. 49
Less: non-operating expense	1, 189, 594. 88	1, 526, 230. 88
Including: Losses on disposal of non-current assets	145, 122. 77	903, 506. 68
III. Total profit (“-” means loss)	-147, 133, 685. 74	-179, 269, 405. 30

Less: Income tax expense	-35,628,495.40	-46,949,068.57
IV. Net profit ("-" means loss)	-111,505,190.34	-132,320,336.73
V. After-tax net amount of other comprehensive incomes	641,019.96	70,962.90
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	641,019.96	70,962.90
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	-1,875.00	70,962.90
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	642,894.96	0.00
6. Other		
VI. Total comprehensive incomes	-110,864,170.38	-132,249,373.83
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	Reporting Period	Same period of last year
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	9,435,398,454.00	9,102,327,477.32

Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	178, 405, 043. 66	179, 813, 857. 62
Other cash received relating to operating activities	265, 852, 475. 51	175, 470, 429. 38
Subtotal of cash inflows from operating activities	9, 879, 655, 973. 17	9, 457, 611, 764. 32
Cash paid for goods and services	8, 174, 460, 211. 13	7, 600, 273, 858. 24
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	844, 148, 334. 80	914, 786, 833. 95
Various taxes paid	393, 891, 670. 20	290, 017, 993. 03
Other cash payment relating to operating activities	592, 697, 813. 46	582, 490, 169. 47
Subtotal of cash outflows from operating activities	10, 005, 198, 029. 59	9, 387, 568, 854. 69

Net cash flows from operating activities	-125,542,056.42	70,042,909.63
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	10,039,975.96	20,170,536.85
Cash received from return on investments	18,138,724.61	13,104,708.65
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	177,070.99	244,057.50
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	4,293,428,300.00	1,788,563,979.00
Subtotal of cash inflows from investing activities	4,321,784,071.56	1,822,083,282.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	57,679,455.60	122,139,343.19
Cash paid for investment	6,010,455.00	66,835,410.00
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	4,321,807,285.63	1,306,934,952.07
Subtotal of cash outflows from investing activities	4,385,497,196.23	1,495,909,705.26
Net cash flows from investing activities	-63,713,124.67	326,173,576.74
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	4,900,000.00	70,678,264.16
Including: Cash received from minority shareholder investments by subsidiaries	4,900,000.00	70,678,264.16
Cash received from borrowings	2,902,000,000.00	2,233,051,652.35
Cash received from issuance of bonds		
Other cash received relating to financing activities	1,091,505,232.65	118,095,176.56
Subtotal of cash inflows from financing activities	3,998,405,232.65	2,421,825,093.07

Repayment of borrowings	2, 762, 733, 295. 48	2, 182, 019, 607. 37
Cash paid for interest expenses and distribution of dividends or profit	50, 260, 605. 68	68, 163, 779. 14
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	31, 258, 073. 60	133, 861, 961. 59
Sub-total of cash outflows from financing activities	2, 844, 251, 974. 76	2, 384, 045, 348. 10
Net cash flows from financing activities	1, 154, 153, 257. 89	37, 779, 744. 97
IV. Effect of foreign exchange rate changes on cash and cash equivalents	16, 897, 838. 33	-37, 751, 951. 34
V. Net increase in cash and cash equivalents	981, 795, 915. 13	396, 244, 280. 00
Add: Opening balance of cash and cash equivalents	1, 488, 154, 851. 35	1, 640, 236, 837. 08
VI. Closing balance of cash and cash equivalents	2, 469, 950, 766. 48	2, 036, 481, 117. 08

6. Cash flow statement of the Company

Unit: RMB

Item	Reporting Period	Same period of last year
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	6, 066, 072, 499. 56	6, 629, 377, 417. 70
Tax refunds received	106, 864, 410. 47	64, 799, 118. 52
Other cash received relating to operating activities	595, 949, 901. 28	1, 377, 079, 891. 69
Subtotal of cash inflows from operating activities	6, 768, 886, 811. 31	8, 071, 256, 427. 91
Cash paid for goods and services	7, 097, 799, 617. 56	6, 545, 865, 079. 11
Cash paid to and for employees	469, 174, 013. 13	476, 270, 145. 75
Various taxes paid	199, 964, 096. 41	107, 694, 528. 48
Other cash payment relating to operating activities	950, 560, 098. 46	1, 141, 233, 856. 69
Subtotal of cash outflows from operating activities	8, 717, 497, 825. 56	8, 271, 063, 610. 03
Net cash flows from operating activities	-1, 948, 611, 014. 25	-199, 807, 182. 12
II. Cash flows from investing activities:		
Cash received from retraction of	5, 685. 00	5, 278, 509. 85

investments		
Cash received from return on investments	22, 133, 330. 57	23, 022, 273. 10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	174, 720. 56	55, 338, 137. 50
Net cash received from disposal of subsidiaries or other business units		8, 889. 24
Other cash received relating to investing activities	4, 395, 417, 300. 00	1, 400, 000, 000. 00
Subtotal of cash inflows from investing activities	4, 417, 731, 036. 13	1, 483, 647, 809. 69
Cash paid to acquire fixed assets, intangible assets and other long-term assets	8, 706, 651. 29	25, 438, 491. 22
Cash paid for investment	14, 016, 000. 00	188, 835, 410. 00
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	4, 542, 483, 083. 21	1, 374, 884, 590. 00
Subtotal of cash outflows from investing activities	4, 565, 205, 734. 50	1, 589, 158, 491. 22
Net cash flows from investing activities	-147, 474, 698. 37	-105, 510, 681. 53
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings	3, 501, 874, 941. 51	61, 422, 000. 00
Cash received from issuance of bonds		
Other cash received relating to financing activities		434, 734, 396. 24
Subtotal of cash inflows from financing activities	3, 501, 874, 941. 51	496, 156, 396. 24
Repayment of borrowings	210, 241, 682. 55	
Cash paid for interest expenses and distribution of dividends or profit	15, 544, 969. 44	
Other cash payments relating to financing activities	322, 169, 966. 60	133, 921, 663. 91
Sub-total of cash outflows from financing activities	547, 956, 618. 59	133, 921, 663. 91
Net cash flows from financing activities	2, 953, 918, 322. 92	362, 234, 732. 33

IV. Effect of foreign exchange rate changes on cash and cash equivalents	7,375,907.16	-3,281,640.26
V. Net increase in cash and cash equivalents	865,208,517.46	53,635,228.42
Add: Opening balance of cash and cash equivalents	478,267,624.53	991,459,790.62
VI. Closing balance of cash and cash equivalents	1,343,476,141.99	1,045,095,019.04

7. Consolidated statement of changes in owners' equity

Reporting Period

Unit: RMB

Item	Reporting Period												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity			Capital reserve	Less: Treasury	Other comprehensi	Special reserve	Surplus reserve	General risk	Retained earnings		
		Prefere	Perpet	Othe									
1. Balance at the end of the prior year	2, 407, 945, 408. 00				78, 209, 535. 19		3, 155, 744. 00		847, 908, 466. 28		-522, 836, 282. 66	261, 067, 546. 32	3, 075, 450, 417. 13
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same													
Other													
2. Balance at the beginning of the	2, 407, 945, 408. 00				78, 209, 535. 19		3, 155, 744. 00		847, 908, 466. 28		-522, 836, 282. 66	261, 067, 546. 32	3, 075, 450, 417. 13
3. Increase/ decrease in the period					2, 689, 549. 20		-15, 158, 638. 24				12, 834, 736. 76	-117, 912, 510. 30	-117, 546, 862. 58
3.1 Total comprehensive income							-15, 158, 638. 24				12, 834, 736. 76	-3, 209, 372. 57	-5, 533, 274. 05
3.2 Capital increased and reduced by												-113, 385, 466. 48	-113, 385, 466. 48
3.2.1 Ordinary shares increased												4, 900, 000. 00	4, 900, 000. 00
3.2.2 Capital increased by													
3.2.3 Amounts of share-based													
3.2.4 Other												-118, 285, 466. 48	-118, 285, 466. 48
3.3 Profit distribution													
3.3.1 Appropriation to surplus													
3.3.2 Appropriation to general risk													
3.3.3 Appropriation to owners (or													
3.3.4 Other													
3.4 Internal carry-forward of owners'													
3.4.1 New increase of capital (or													
3.4.2 New increase of capital (or													
3.4.3 Surplus reserve for making up													
3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other					2, 689, 549. 20							-1, 317, 671. 25	1, 371, 877. 95
4. Closing balance	2, 407, 945, 408. 00				80, 899, 084. 39		-12, 002, 894. 24		847, 908, 466. 28		-510, 001, 545. 90	143, 155, 036. 02	2, 957, 903, 554. 55

Same period of last year

Unit: RMB

Item	Same period of last year												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity			Capital reserve	Less: Treasu	Other comprehensi	Specific reserve	Surplus reserve	General risk	Retained earnings		
		Prefer	Perpet	Othe									
1. Balance at the end of the prior year	1,203,972,704.00				1,289,403,563.99		16,171,477.91		847,908,466.28		746,022,758.89	193,977,533.95	4,297,456,505.02
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same													
Other													
2. Balance at the beginning of the year	1,203,972,704.00				1,289,403,563.99		16,171,477.91		847,908,466.28		746,022,758.89	193,977,533.95	4,297,456,505.02
3. Increase/ decrease in the period ("-"	1,203,972,704.00				-1,211,194,028.8		-13,015,733.91				-1,268,859,041.55	67,090,012.37	-1,222,006,087.89
3.1 Total comprehensive income							-13,015,733.91				-1,256,819,314.51	-18,424,178.95	-1,288,259,227.37
3.2 Capital increased and reduced by												65,749,452.92	65,749,452.92
3.2.1 Ordinary shares increased by												65,749,452.92	65,749,452.92
3.2.2 Capital increased by holders													
3.2.3 Amounts of share-based													
3.2.4 Other													
3.3 Profit distribution											-12,039,727.04	19,565,831.91	7,526,104.87
3.3.1 Appropriation to surplus reserve													
3.3.2 Appropriation to general risk													
3.3.3 Appropriation to owners (or											-12,039,727.04	-1,343,265.96	-13,382,993.00
3.3.4 Other												20,909,097.87	20,909,097.87
3.4 Internal carry-forward of owners'	1,203,972,704.00				-1,203,972,704.0								
3.4.1 New increase of capital (or share	1,203,972,704.00				-1,203,972,704.0								
3.4.2 New increase of capital (or share													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other					-7,221,324.80							198,906.49	-7,022,418.31
4. Closing balance	2,407,945,408.00				78,209,535.19		3,155,744.00		847,908,466.28		-522,836,282.66	261,067,546.32	3,075,450,417.13

8. Statement of changes in owners' equity of the Company

Reporting Period

Unit: RMB

Item	Reporting Period										
	Share capital	Other equity			Capital reserve	Less: Treasury	Other comprehe	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preferen	Perpet	Othe							
1. Balance at the end of the prior year	2, 407, 945, 408. 00				46, 505, 607. 34		1, 803, 252. 77		847, 908, 466. 28	-209, 882, 853. 00	3, 094, 279, 881. 39
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	2, 407, 945, 408. 00				46, 505, 607. 34		1, 803, 252. 77		847, 908, 466. 28	-209, 882, 853. 00	3, 094, 279, 881. 39
3. Increase/ decrease in the period ("-" means					2, 689, 549. 20		641, 019. 96			-111, 505, 190. 34	-108, 174, 621. 18
3.1 Total comprehensive income							641, 019. 96			-111, 505, 190. 34	-110, 864, 170. 38
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by											
3.2.2 Capital increased by holders of other											
3.2.3 Amounts of share-based payments											
3.2.4 Other											
3.3 Profit distribution											
3.3.1 Appropriation to surplus reserve											
3.3.2 Appropriation to owners (or shareholders)											
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from											
3.4.2 New increase of capital (or share capital) from											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other					2, 689, 549. 20						2, 689, 549. 20
4. Closing balance	2, 407, 945, 408. 00				49, 195, 156. 54		2, 444, 272. 73		847, 908, 466. 28	-321, 388, 043. 34	2, 986, 105, 260. 21

Same period of last year

Unit: RMB

Item	Same period of last year										
	Share capital	Other equity			Capital reserve	Less: Treasury	Other comprehensi	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preferen	Perpet	Othe							
1. Balance at the end of the prior year	1, 203, 972, 704. 00				1, 250, 283, 488. 79		471, 827. 51		847, 908, 466. 28	499, 655, 859. 67	3, 802, 292, 346. 25
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	1, 203, 972, 704. 00				1, 250, 283, 488. 79		471, 827. 51		847, 908, 466. 28	499, 655, 859. 67	3, 802, 292, 346. 25
3. Increase/ decrease in the period ("-" means	1, 203, 972, 704. 00				-1, 203, 777, 881. 45		1, 331, 425. 26			-709, 538, 712. 67	-708, 012, 464. 86
3.1 Total comprehensive income							1, 331, 425. 26			-697, 498, 985. 63	-696, 167, 560. 37
3.2 Capital increased and reduced by owners	1, 203, 972, 704. 00				-1, 203, 972, 704. 00						
3.2.1 Ordinary shares increased by	1, 203, 972, 704. 00				-1, 203, 972, 704. 00						
3.2.2 Capital increased by holders of other											
3.2.3 Amounts of share-based payments											
3.2.4 Other											
3.3 Profit distribution										-12, 039, 727. 04	-12, 039, 727. 04
3.3.1 Appropriation to surplus reserve											
3.3.2 Appropriation to owners (or shareholders)										-12, 039, 727. 04	-12, 039, 727. 04
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital)											
3.4.2 New increase of capital (or share capital)											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other					194, 822. 55						194, 822. 55
4. Closing balance	2, 407, 945, 408. 00				46, 505, 607. 34		1, 803, 252. 77		847, 908, 466. 28	-209, 882, 853. 00	3, 094, 279, 881. 39

Konka Group Co., Ltd.
Notes to Financial Statements for January-June 2016
(All amounts are expressed, unless otherwise stated, in Renminbi (CNY).)

I. Company Profile

1. Establishment

Konka Group Co., Ltd. (hereinafter referred to as "Company" or "the Company"), is a joint-stock limited company reorganized from the former Shenzhen Konka Electronic Co., Ltd. in August 1991 upon approval of the People's Government of Shenzhen Municipality, and has its ordinary shares (A-share and B-share) listed on Shenzhen Stock Exchange with prior consent from the People's Bank of China Shenzhen Special Economic Zone Branch. On August 29, 1995, the Company, renamed to "Konka Group Co., Ltd.", obtained corporate business license (registration No.: 440301501121863) with its main business falling into electronic industry.

2. Share Capital Changes upon Establishment

On November 27, 1991, with approval from the SRYFZ No. 102 [1991] document as issued by the People's Bank of China Shenzhen Special Economic Zone Branch, Shenzhen Konka Electronic Co., Ltd., during December 8—December 31, 1991, has issued 128,869,000 RMB ordinary shares (A-share) at a par value of RMB1.00 per share, of which the original net assets were converted into 98,719,000 state-owned institutional shares, 30,150,000 new shares were issued, including 26,500,000 circulating shares issued to the public and 3,650,000 staff shares issued to the staff of the Company.

On January 29, 1992, with approval from the SRYFZ No. 106 [1991] document as issued by the People's Bank of China Shenzhen Special Economic Zone Branch, Shenzhen Konka Electronic Co., Ltd., during December 20, 1991— January 31, 1992, has issued to investors abroad 58,372,300 RMB special shares (B-share) at a par value of RMB1.00 per share, of which 48,372,300 shares held by the former foreign investor and founder—Hong Kong Ganghua Electronic Group Co., Ltd. are converted into foreign legal person's shares, and 10,000,000 B-shares are issued additionally.

On April 10, 1993, the Proposal on Profit Distribution and Dividend Payout 1992 was adopted at the second general meeting of shareholders of the Company. With approval from the SZBF No. 2 [1993] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY 1992 as of April 30, 1993: distributing RMB0.90 in cash plus 3.5 bonus shares for every 10 shares to all shareholders. The total capital stock reached 187,473,150 shares after this distribution.

On April 18, 1994, the Proposal on Profit Distribution and Dividend Payout 1993 was adopted at the third general meeting of shareholders of the Company. With approval from the SZBF No. 115 [1994] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY1993 as of June 10, 1994: distributing RMB1.10 in cash plus 5 bonus shares (including 4.4 profit bonus shares and 0.6 bonus share capitalized from capital public reserve) for every 10 shares to all shareholders. The total capital stock reached 281,209,724 shares after this distribution and capitalization from capital public reserve.

On June 2, 1994, in accordance with the provisions that "staff shares could go public and be transferred six months after listing", as jointly promulgated by the State Commission for

Restructuring the Economic System and the State Council's Securities Commission, the staff shares of the Company was planned to be listed on the flow on June 6, 1994, with the prior consent of Shenzhen Securities Regulatory Office and Shenzhen Stock Exchange.

On October 8, 1994, the Proposal on Negotiable Bonus Shares of B-Share Corporate Shareholders 1992 was adopted at the 1994 interim general meeting of shareholders of the Company. With approval from the SZBF No. 224 [1994] document as issued by Shenzhen Securities Regulatory Office, the 16,930,305 bonus shares for FY 1992 granted to foreign legal persons were listed and negotiated at B-share market on October 26, 1994.

On February 6, 1996, the Proposal on Share Allotment Modes 1996 was adopted at the 1996 interim general metering of shareholders of the Company. With approval from the SZBF No. 5 [1996] document as issued by Shenzhen Securities Regulatory Office, and reexamination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on July 16, 1996 and October 29, 1996, all shareholders were respectively allotted three shares for every ten existing shares held at RMB6.28/A-share and HKD5.85/B-share. Corporate shareholders took their respective existing shares as bases for full subscription of the allocable shares. The total capital stock reached 365,572,641 shares after this allotment.

On January 25, 1998, the Plan on Share Allotment 1998 was adopted at the 1998 interim general meeting of shareholders of the Company. With approval from the ZZBZ No. 29 [1998] document as issued by Shenzhen Securities Regulatory Office, and ZJSZ No.64 [1998] document as issued by China Securities Regulatory Commission, on July 15, 1998, negotiable A-shares were allotted in proportion of 3:10 at RMB10.50/A-share. For such reasons as continued weakness in B-share secondary market (lower than share allotment price), B-share negotiation and allotment plan was canceled, and the corporate shareholders of the Company waived the preemptive right. The total capital stock reached 389,383,603 shares after this allotment.

On June 30, 1999, the Proposal on Profit Distribution and Capitalization from Capital Public Reserve 1998 was adopted at the eighth general meeting of shareholders of the Company. On August 20, 1999, the profit distribution for FY 1998 was carried out: all shareholders were presented RMB3.00 in cash for every 10 shares, plus 2 shares capitalized from capital public reserve. The total capital stock reached 467,260,323 shares after this capitalization.

On June 30, 1999, the Plan on A-Share Issue for Capital Increase was adopted at the eighth general meeting of shareholders of the Company. With approval from the ZJFXZ No.140 [1999] document as issued by China Securities Regulatory Commission, on November 1, 1999, 80,000,000 A-shares were additionally issued to the public at RMB15.50/share. The total capital stock reached 547,260,323 shares after this additional issue.

On May 30, 2000, the Plan on Profit Distribution and Dividend Payout 1999 was adopted at the ninth general meeting of shareholders of the Company. On July 25, 2000, the profit distribution for FY 1999 was carried out: all shareholders were distributed RMB4.00 in cash plus 1 bonus shares for every 10 shares. The total capital stock reached 601,986,352 shares after this distribution.

On April 3, 2008, the 7th meeting of the sixth Board of Directors was convened, during which the following resolutions were discussed and adopted: based on the total capital stock of 601,986,352 shares for the year ended December 31, 2007, capitalization from capital public reserve was made to all shareholders at a proportion of 1:1, namely 10 new shares for every 10 existing shares. And the said resolution was subject to approval by the 2007 annual general meeting of shareholders convened on May 26, 2008. The Company, in June 2008, implemented the capitalization from capital public reserve and went through the formalities for transfer registration with China Securities Depository and Clearing Corporation Limited. On December 16, 2008, with approval from the SMGZF No. 2662 [2008] document as issued by Shenzhen Bureau of Trade and Industry, the Company was agreed to increase its share capital, and went through the formalities for registration of changes with the administration for industry and commerce on April 10, 2009. The total capital stock reached 1,203,972,704 shares after change.

According to the regulations of the 2015 1st Extraordinary General Meeting and the revised articles, the Company applied to increase the registered capital of RMB1,203,972,704.00, all of which were though turning capital reserve into share capital with the changed registered capital of RMB2,407,945,408.00. The Company had managed the industrial and commercial registration of changes on 28 January 2016 with the changed share capital of 2,407,945,408 shares.

3. Approved business scope: research and development, production and operation of such household appliances as televisions, refrigerators, washing machines, and personal electronic appliances; manufacturing and application of home AV, IPTV set-top boxes, digital TV receivers (including ground receiving equipment of satellite television broadcasting), digital products, mobile communication equipments and terminal products, daily-use electronic products, automotive electronic products, satellite navigation systems, intelligent transportation systems, fire-fighting and security systems, office equipments, computers, displays, large screen display systems; LED (OLED) back light, illumination, light-emitting devices, and packaging thereof; Touch TV AIO, wireless broadcasting television transiting equipment; electronic parts and components, moulds, plastic and rubber products, and packing materials, design and in-door installation security products, monitoring products, wireless and cable digital television system and system integration, and technical consultancy and after-sale paid services of related products (except mobile phone, the other products in the above business scope are manufactured in other places outside Shenzhen); Wholesale, retail, import & export and relevant support services of the aforesaid products (including spare parts) (Commodities subject to state trading management are not involved. Products involved in quota, license management and other specified management shall be subject to the relevant state provisions.); sale of self-developed technological achievements; provision of maintenance services, technical consultant service for electronic products; ordinary cargo transportation, domestic freight forwarding, warehousing services; consultancy on enterprise management; and self-owned property leasing and management services, recovery of waste electrical appliances and electronic products (excluding dissembling) (operated by branch offices); and outsourcing services of information technology and business procedures by means of undertaking services in the way of outsourcing, including management and maintenance of system application, management of information technology, bank background service, financial settlement, human resource service, software development, call center, and data processing.

4. The Company and each subsidiary mainly engaged in the production and sales of the color TV, white goods and cell phones.

5. The financial statements of the Company were submitted upon approval of the Board of Directors on 26 August 2016.

6. There were 37 subsidiaries included in the consolidation scope of January – June of 2015 of the Company, and please refer to the Notes VIII. “Equities among other entities” for details. There were 8 decreased in the consolidation scope during the Reporting Period over

the same period of last term of the Company, and the gains and losses as well as the cash flows of the subsidiary which be decreased before the date losing the control right should be recorded in the consolidation of the Reporting Period and please refer to the Notes VII. "Changes of the consolidation scope" for details.

7. A check list of corporate names and their abbreviations mentioned in this Report

Corporate name	Abbreviation
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Precision Mold Manufacturing Co., Ltd.	Precision Mold
Shenzhen Konka Electronic Co., Ltd.	Konka Electronic
Shenzhen Konka Information Network Co., Ltd.	Information Network
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Konka Housing Appliances Co., Ltd.	Housing Appliances
Shenzhen Electronic Fittings Technology Co., Ltd.	Fittings Technology
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang Appliances
Chongqing Qingjia Electronics Co., Ltd.	Chongqing Qingjia
Anhui Konka Electronic Co., Ltd.	Anhui Konka
Anhui Konka Household Appliances Co., Ltd.	Anhui Household Appliances
Kunshan Konka Electronic Co., Ltd.	Kunshan Konka
Dongguan Konka Electronic Co., Ltd.	Dongguan Konka
Dongguan Konka Packing Materials Co., Ltd.	Dongguan Packing
Dongguan Konka Mould Plastic Co., Ltd.	Dongguan Mould Plastic
Boluo Konka PCB Co., Ltd.	Boluo Konka
Boluo Konka Precision Technology Co., Ltd.	Boluo Precision
Hong Kong Konka Co., Ltd.	Hong Kong Konka
Konka Household Appliances Investment & Development Co., Ltd.	Konka Household Appliances Investment
Konka Household Appliances International Trading Co., Ltd.	Konka Household Appliances International Trading
KONKA AMERICA,INC.	KONKA AMERICA
Konka (Europe) Co., Ltd.	Konka Europe
Konka Commercial Factoring (Shenzhen) Co., Ltd.	Konka Factoring
Shenzhen Wankaida Science and Technology Co., Ltd.	Wankaida
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan Kangsheng
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Anhui Tongchuang
Indonesia Konka Electronics Co., Ltd.	Indonesia Konka
Shenzhen Shushida Logistics Service Co., Ltd.	Shushida Logistics

Corporate name	Abbreviation
Beijing Konka Electronic Co., Ltd.	Beijing Konka Electronic
Shenzhen Konka Yishijie Commercial Display Co., Ltd.	Konka Yishijie
Shenzhen Yishijie Commercial Display Service Co., Ltd.	Yishijie Commercial
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong
Usee Kangrong Culture Communication Co., Ltd.	Usee Kangrong
Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd.	Kangqiao Jiacheng
Konka Zhisheng Co., Ltd.	Konka Zhisheng
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Shenzhen E2info Internet Science and Technology Co., Ltd.	E2info
Shenzhen Konka Mobile Interconnection Technology Co., Ltd.	Mobile Interconnection
Shenzhen Konka Business System Technology Co., Ltd.	Business Technology

II. Basis for the preparation of financial statements

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 41 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 February 2006 onwards (hereinafter jointly referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises, the Group adopted the accrual basis in accounting. Except for some financial instruments, where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

III. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Group are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's financial positions as at 30 Jun. 2016, business results and cash flows of January–June of 2016, and other relevant information. In addition, the Company's and the Group's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

IV. Important accounting policies and estimations

The Company and each subsidiary formulated certain specific accounting policies and accounting estimates according to the actual production and operation characteristics and the regulations of the relevant ASBE on the transactions and events of the revenues recognition. For the details, please refer to each description of Notes IV. 22 “Revenues”. For the notes of the significant accounting judgment and estimations made by the management layer, please refer to Notes IV. 27 “Significant accounting judgment and estimations”.

1. Fiscal period

The Group’s fiscal periods include fiscal years and fiscal periods shorter than a complete fiscal year. The Group’s fiscal year starts on 1 January and ends on 31 December of every year according to the Gregorian calendar.

2. Operating cycle

A normal operating cycle refers to a period from the Group purchasing assets for processing to realizing cash or cash equivalents. An operating cycle for the Group is 12 months, which is also the classification criterion for the liquidity of its assets and liabilities.

3. Recording currency

Renminbi is the dominant currency used in the economic circumstances where the Group and its domestic subsidiaries are involved. Therefore, the Group and its domestic subsidiaries use Renminbi as their bookkeeping base currency. According to the major economic circumstances where the overseas subsidiaries of the Company, Konka America, Konka Europe, Indonesia Konka involved, their recording currency respectively were confirmed as U.S. Dollar, Euro and Indonesia Rupiah; while the subsidiaries such as the Hong Kong Konka, Konka Household Appliances International Trading, Konka Household Appliances Investment and Konka Zhisheng confirmed the Hong Kong Dollar as their recording currency. And the Group adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the Reporting Period.

4. Accounting treatment methods for business combinations under the same control or not under the same control

Business combinations, it is refer to two or more separate enterprises merge to form a reporting entity transactions or events. Business combination is divided into under the same control and those non under the same control.

(1) Business combinations under the same control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital (share premium) shall be adjusted. If the additional paid-in capital (share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree.

For a business combination not under the same control, the combination costs shall include the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The involved contingent consideration shall be recorded into the combination costs at its fair value on the acquiring date. Where new or further evidences emerge, within 12 months since the acquiring date, against the existing circumstances on the acquiring date and the contingent consideration thus needs to be adjusted, the combined goodwill shall be adjusted accordingly. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. Where the combination costs are less then the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

As for the deductible temporary differences the acquirer obtains from the acquiree which are not recognized into deferred income tax liabilities due to their not meeting the recognition standards, if new or further information shows that the relevant situation has existed on the acquiring date and the economic benefits brought by the deductible temporary differences the acquirer obtains from the acquiree on the acquiring date can be realized, they shall be recognized into deferred income tax assets and the relevant goodwill shall be reduced. Where the goodwill is not sufficient to be offset, the difference shall be recognized into the profits and losses in the current period. In other circumstances than the above, where the deductible temporary differences are recognized into deferred income tax assets on the acquiring date, they shall be recorded into the profits and losses in the current period.

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the “package deal” (see note 4, 4 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and note 4, 10 “long term equity investment transaction” and conduct accounting treatment, those not belong to the “package deal” distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

In the individual financial statements, the sum of the book value and new investment cost of the Group holds in the acquiree before the acquiring date shall be considered as initial cost of the investment. Other related comprehensive gains in relation to the equity interests that the Group holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains).

In the Group's consolidated financial statements, as for the equity interests that the Group holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests that the Group holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains on the acquiring date).

5. Methods for preparing consolidated financial statements

(1) Principle for determining the consolidation scope

The consolidation scope for financial statements is determined on the basis of control. The term "control" is the power of the Group upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of returns. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

(2) Methods for preparing the consolidated financial statements

Subsidiaries are fully consolidated from the date on which the Group obtains control on their net assets and operation decision-making and are de-consolidated from the date when such control ceases. As for a disposed subsidiary, its operating results and cash flows before the disposal date has been appropriately included in the consolidated income statement and cash flow statement; and as for subsidiaries disposed in the current period, the opening items in the consolidated balance sheet are not adjusted. For a subsidiary acquired in a business combination not under the same control, its operating results and cash flows after the acquiring date have been appropriately included in the consolidated income statement and cash flow statement, and the opening items and comparative items in the consolidated financial statements are not adjusted. For a subsidiary acquired in a business combination under the same control or a combined party obtained in a takeover, its operating results and cash flows from the beginning of the Reporting Period of the combination to the combination date have been appropriately included in the consolidated income statement and cash flow statement, and the comparative items in the consolidated financial statements are adjusted at the same time.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries. For a subsidiary acquired from a business combination not under the same control, the individual financial statements of the subsidiary are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealized profits are offset in the consolidated financial statements.

The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No. 2 Accounting Standard for Business Enterprises —Long-term Equity Investments or the No. 22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see note IV, 13 "long term equity investment" or 9 "financial instruments".

Where the Group losses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Group losses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions； ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see note IV 13, (2) ④) and “Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons” (See the front paragraph) relevant transactions of the Group losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the lose of control , when the Group losing control on its subsidiary.

6. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Group enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

The Group’s investments in joint ventures are measured at the equity method according to the accounting policies mentioned in Note IV. 13 (2) ② “Long-term equity investments measured at the equity method”.

For a joint operation, the Group, as a joint operator, recognizes the assets and liabilities that it holds and bears in the joint operation, and recognizes the jointly-held assets and jointly-borne liabilities according to the Group’s stake in the joint operation; recognizes the income from sale of the Group’s share in the output of the joint operation; recognizes the income from sale of the joint operation’s outputs according to the Group’s stake in it; and recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group’s stake in it.

When the Group, as a joint operator, transfers or sells assets (the assets not constituting business, the same below) to the joint operation, or purchases assets from the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Group shall fully recognizes the loss for a transfer or sale of assets to a joint operation; and shall recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

7. Recognition standard for cash and cash equivalents

In the Group’s understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

8. Foreign currency businesses and translation of foreign currency financial statements

(1) Accounting treatments for translation of foreign currency transactions

As for a foreign currency transaction, the Company shall convert the amount in a foreign currency into amount in its bookkeeping base at the spot exchange rate (usually referring to the central parity rate announced by the People's Bank of China, the same below) of the transaction date, while as for such transactions as foreign exchange or involving in foreign exchange, the Company shall converted into amount in the bookkeeping base currency at actual exchange rate the transaction is occurred.

(2) Accounting treatments for translation of foreign currency monetary items and non-monetary items

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations: ① the exchange difference arising from foreign currency loans related to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs; ② the exchange difference arising from the hedging instruments used for effective hedging of net overseas operation investments shall be recorded into other comprehensive incomes, and shall be recognized into current gains and losses when the net investments are disposed; and ③ the exchange difference arising from change in the book balance of foreign currency monetary items available for sale except the amortized costs shall be recorded into other comprehensive gains and losses.

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into other comprehensive incomes; and be recorded into disposal gains and losses at current period when disposing overseas business.

A foreign currency non-monetary item measured at the historical costs shall still be translated at the spot exchange rate on the transaction date. Where the foreign non-monetary items measured at the fair value shall be converted into amount in its bookkeeping base currency at spot exchange rate, the exchange gains and losses arising thereof shall be treated as change in fair value, and recorded into the current period gains and losses or as other comprehensive incomes.

(3) Translation of foreign currency financial statements

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into the item of "difference of foreign currency financial statement translation" under the owners' equity; and be recorded into disposal gains and losses at current period when disposing overseas business.

The foreign currency financial statement of overseas business should be translated in to RMB financial statement by the following methods: The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The undistributed profits at year-begin is the undistributed profits at the end of last year after the translation; undistributed profits at year-end shall be listed as various distribution items after the translation; after the translation, the balance between assets and the sum of liabilities and owners' equities shall be recorded into other comprehensive gains and losses as difference of foreign currency translation. Where an enterprise disposes of an overseas business without the control right, it shall shift the differences, which is presented under the items of the owner's equities in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the disposal profits and losses of the current period by all or proportion of the disposed overseas business.

Foreign cash flow shall be translated at the spot exchange rate of the date of cash flow incurred. The influence of exchange rate on the cash flow shall be adjustment item and individually listed in the cash flow statement.

And the opening balance and the actual balance of last year shall be listed at the amounts after translation of foreign currency financial statement in last year.

Where the control of the Group over an overseas operation ceases due to disposal of all or some of the Group's owner's equity in the overseas operation or other reasons, the foreign-currency statement translation difference belonging to the parent company's owner's equity in relation to the overseas operation which is stated under the shareholders' equity in the balance sheet shall be all restated as gains and losses of the disposal period.

Where the Group's equity in an overseas operation decreases due to disposal of some equity investment or other reasons but the Group still has control over the overseas operation, the foreign-currency statement translation difference in relation to the disposed part of the overseas operation shall be recorded into minority interests instead of current gains and losses. If what's disposed is some equity in an overseas associated enterprise or joint venture, the foreign-currency statement translation difference related to the overseas operation shall be recorded into the gains and losses of the current period of the disposal according to the disposal ratio.

9. Financial instruments

The Group recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract. Financial assets and liabilities are measured at fair value in initial recognition. As for the financial assets and liabilities measured at fair value of which changes are recorded into current gains and losses, the relevant dealing expenses are directly recorded into gains and losses; and the dealing expenses on other kinds of financial assets and liabilities are included in the amounts initially recognized.

(1) Determination of the fair value of main financial assets and financial liabilities

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refers to the prices available from stock exchange, broker's agencies, guilds, pricing organization and etc., which represent the actual trading price under equal transaction. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc., to determine its fair value.

(2) Classification, recognition and measurement of financial assets

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date. Financial assets shall be classified into the following four categories when they are initially recognized: (a) the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, (b) the investments which will be held to their maturity; (c) loans and the account receivables; and (d) financial assets available for sale.

① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

Including transactional financial assets and the financial assets which are designated to be measured at their fair value when they are initially recognized and of which the variation is recorded into the profits and losses of the current period;

The financial assets meeting any of the following requirements shall be classified as transactional financial assets：A. The purpose to acquire the said financial assets is mainly for selling them in the near future; B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future; C. Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

The financial assets meeting any of the following requirements shall be designated as financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period for initial recognition: A. the designation can eliminate or significantly reduce the difference of relevant gains and losses between recognition and measurement causing from different bases for measurement of financial assets; B. The official written documents for risk management and investment strategies of the enterprise have clearly stated that it shall ,manage, evaluate and report to important management personnel based on the fair value, about the financial assets group or the group of financial assets & liabilities which the financial assets are belong to.

For the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period shall continue to be measured by fair value, gains and losses of change in fair value, dividends and interest related with these financial assets should be recorded into gains and losses of current period.

② Held-to-maturity investment

The term “held-to-maturity investment” refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

For the held-to-maturity investment adopting actual interest rate method, which is measured at the post-amortization costs, the profits and losses that arise when such financial assets or financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable.

Financial assets that are defined as loans and the accounts receivables by the Group including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income，

and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current period.

(3) Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The Group carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the “non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

The impairment loss incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument investment and which must be settled by delivering the said equity investment, is not reversed.

(4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. And the Group has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Group neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Group needs to determine whether almost all of the risks and rewards of the financial asset ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair values and whose changes are recorded in current gains and losses and other financial liabilities. Financial liabilities are initially recognized at their fair values. As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

① Financial liabilities measured at fair values and whose changes are recorded in current gains and losses

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of costs. Other financial liabilities are subsequently measured according to the amortized cost using the actual interest rate method. Gains or losses arising from de-recognition or amortization of the said financial liabilities is recorded in the profits and losses for the current period.

③ Financial guarantee contract and loan commitment

For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, or the loan commitment which is not designated as a financial liability measured at its fair value and the variation thereof is recorded into the gains and losses that will be loaned lower than the market interest rate, which shall be initially recognized by fair value, and the subsequent measurement shall be made after they are initially recognized according to the higher one of the following: a. the amount as determined according to the Accounting Standards for Enterprises No. 13 – Contingencies; b. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

(6) De-recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed)

(7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

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

(8) Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

(9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Group issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The Group not recognized the changes of the fair value of the equity instrument. The transaction expenses related to the equity transaction would be deducted from the equity.

All types of distribution (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

10. Receivables

Receivables include account receivables and other accounts receivables.

(1) Recognition of provision for bad debts:

The Group shall test the carrying amount of receivables on the balance sheet date. Where there is any objective evidence proving that such receivables have been impaired, an impairment provision shall be made.

① Debtor has serious financial difficult;

② Debtor goes against the contract clause (for instance, breach of faith or overdue paying interests or principal);

③ Debtors have a great probability of bankruptcy or other financial reorganization;

④ Other objective evidence proving such accounts receivable has been impaired;

(2) Withdraw method of provision for bad debts

① The recognition criteria and method of individual provision for bad debts of receivables that are individually significant

The Group recognized the receivables with amount above RMB20 million and other receivables above 10 million as receivables with significant single amounts and withdrawn the provision for bad debts.

The Group made an independent impairment test on receivables with significant single amounts; the financial assets without impairment by independent impairment test should be included in financial assets portfolio with similar credit risk to take the impairment test. Receivables was recognized with impairment should no longer be included in receivables portfolio with similar credit risk to take the impairment test.

② The recognition and method of provision for bad debts of receivables by credit risk portfolio

A. Recognition of credit risk group

Receivables that not individually significant and individually significant but without impairment by independent impairment test, are grouped on the basis of similarity and relevance of credit risk. This credit risk usually reflects the debtor’s ability to repay all the due accounts in accordance with contract for such assets, which also are related with the measurement on future cash flow of the examined assets.

Recognition basic of different groups:

Item	Basic
Aging group	Divide the groups according to the credit risks characteristics of the accounts receivable
Internal related party groups of the Company	Divide the groups according to the credit risks characteristics of whether the creditor is the internal related party of the Company

B. Withdrawal method of provision for bad debts recognized by credit risk group

For the impairment test implemented by groups, the amount of provision for bad debts was appraised and recognized in accordance with the structure of accounts receivable group and similar characteristics of credit risk (the debtor’s ability to pay off the loans in accordance with the provisions of contract), experience of losses, current economic status and the predicted losses in the accounts receivable group.

Withdrawal method of the bad debts provision of the different groups:

Item	Withdrawal method
Aging group	Aging analysis method
Internal related party groups of the Company	Executes the impairment test individually and if there is no impairment, should not withdraw the bad debt provision

In the groups, adopting aging analysis method to withdraw bad debt provision:

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year, similarly hereinafter)	2	2
1-2 years	5	5
2-3 years	20	20
3-4 years	50	50
4-5 years	50	50
Over 5 years	100	100

③ Receivables with insignificant amount but being individually withdrawn the provision for bad debts

The Group made independent impairment test on receivables with insignificant amount but with the following characteristics, if any objective evidence shows that the accounts receivable has been impaired, impairment loss shall be recognized on the basis of the gap between the current values of the future cash flow lower than its book value so as to withdraw provision for bad debts:

A. Receivables have dispute with the other parties or involving lawsuit and arbitration;

B. Receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.

(3) Reversal of provision for bad debts

If there is any objective evidence proving that the value of the said receivables has been restored, and it is objectively related to the events occurred after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said accounts receivable on the day of reverse under the assumption that no provision is made for the impairment.

11. Inventory

(1) Classification

The Group's inventories are classified as non-property inventories and property inventories. And the non-property inventories include raw materials, goods in process; merchandise on hand, goods delivered and circulating materials, etc; while the property inventories include property in process and finished property, etc.

① The finished property refers to the finished and held-for-sale property.

② The property in process (development costs) refers to the unfinished property with the development purpose for sale.

(2) Pricing method for outgoing inventories

Pricing method: weighted average method

The inventories shall be measured in light of their cost when obtained. The cost of inventory consists of purchase costs, processing costs and other costs. Inventory is accounted by weight average method upon receiving and giving. For merchandise on hand shall be accounted by planned cost, if the difference between planned cost of and actual cost of raw materials is accounted through the cost variance item, and the planned cost is adjusted to the actual cost according to the cost difference which the carryover and given-out inventory should shoulder in the period.

The property inventories are initially measured at the costs, and the costs of the developed property include the land premium, expenditures for supporting infrastructures, expenditures for construction and installation projects, the borrowing costs before the completion of the developed project and other expenses occurred during the development process.

① The public supporting facilities recorded the development costs at the actual costs, the amortization upon completion was transferred to the costs of houses and other available-for-sale property, while as for the supporting facilities with operating value and beneficiary rights owned by the Group as well as available for individual sale and measurement, which shall be recorded into the "investment property"

② For the accounting policies on borrowing costs occurred for developing property, please refer to Note IV. 17 Pricing of "Borrowing Costs".

(3) Recognition basis of net realizable value and withdrawal method of depreciation reserves for inventories

The net realizable value refers, in the ordinary course of business, to the account after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. The net realizable value of inventories shall be fixed on the basis of valid evidence as well as under consideration of purpose of inventories and the effect of events after balance-sheet-date.

On the balance sheet date, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. If the net realizable value is lower than the cost, it shall withdraw the depreciation reserves for inventories, which was withdrawn in accordance with the balance that the cost of individual inventory item exceeding the net realizable value.

After withdrawing the depreciation reserves for inventories, if the factors, which cause any write-down of the inventories, have disappeared, causing the net realizable value of inventories is higher than its carrying amount; the amount of write-down shall be reversed from the original amount of depreciation reserve for inventories. The reversed amount shall be included in the profits and losses of the current period.

(4) The perpetual inventory system is maintained for stock system.

(5) Amortization method of the low-value consumption goods and packing articles

The low-value consumption goods should be amortized by one time amortization when acquiring and the packing articles are amortized by one time/gradation amortization when acquiring.

12. Long-term equity investments

The long-term equity investments of this part refer to the long-term equity investments that the Group has control, joint control or significant influence over the investees. The long-term equity investment that the Group does not have control, joint control or significant influence over the investees, should be recognized as available-for-sale financial assets or be measured by fair value with the changes should be included in the financial assets accounting of the current gains and losses, and please refer the details of the accounting policies to Notes IV 9 “financial instrument”.

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Group and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Group which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

(1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner’s equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equities of the combined party which respectively acquired through multiple transaction under the same control that ultimately form into the combination of the enterprises under the same control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, it shall, on the date of merger, regard the enjoyed share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment, and as for the difference between the initial investment cost of the long-term equity investment and sum of the book value of the long-term equity investment before the combination and the book value of the consideration of the new payment that further required on the combination date, should adjust the capital reserve; if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held before the combination date which adopted the equity method for accounting, or the other comprehensive income confirmed for the available-for-sale financial assets, should not have any accounting disposal for the moment.

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equities of the acquirees which respectively acquired through multiple transaction that ultimately form into the combination of the enterprises under the different control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, the sum of the book value of the original held equity investment of the acquirees and the newly added investment cost should be regarded as the initial investment cost of the long-term equity investment that changed to be accounted by cost method. If the original held equity is calculated by cost method, the other relevant comprehensive income would not have any accounting disposal for the moment. If the original held equity investment is the financial assets available for sale, its difference between the fair value and the book value as well as the accumulative changes of the fair value that include in the other comprehensive income, should transfer into the current gains and losses.

The commission fees for audit, law services, assessment and consultancy services and other relevant expenses occurred in the business combination by the combining party or the purchase party, shall be recorded into current profits and losses upon their occurrence; the transaction expense from the issuance of equity securities or bonds securities which are as consideration for combination by the combining party, should be recorded as the initial amount of equity securities and bonds securities.

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Group, the fair value of equity securities issued by the Group, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost. The long-term equity investment cost for those could execute significant influences on the investees because of appending the investment or could execute joint control but not form as control, should be as the sum of the fair value of the original held equity investment and the newly added investment cost recognized according to the No.22 of Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instrument.

(2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for which forms into common operators) or significant influence over the investors should be measured by equity method. Moreover, long-term equity investment adopting the cost method in the financial statements, and which the Company has control on invested entity.

① Long-term equity investment measured by adopting cost method

The price of a long-term equity investment measured by adopting the cost method shall be included at its initial investment cost and append as well as withdraw the cost of investing and adjusting the long-term equity investment. The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting polices adopted by the investees is not accord with that of the Group, should be adjusted according to the accounting policies of the Group and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Group and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Group according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Group and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Group to the associated enterprises or the joint ventures if could form into business, the long-term equity investment without control right which acquired by the investors, should regard the fair value of the launched business as the initial investment cost the newly added long-term equity investment, and for the difference between the initial investment cost and the book value of the launched business, should be included into the current gains and losses with full amount. The assets sold by the Group to the associated enterprises or the joint ventures if could form into business, the difference between the acquired consideration and the book value of the business should be included in the current gains and losses with full amount. The assets purchased by the Group to the associated enterprises or the joint ventures if could form into business, should be accounting disposed according to the regulations of No. 20 of ASBE—Business Combination, and should be recognized gains or losses related to the transaction with full amount.

The Group shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Group has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Group before the first execution of the new accounting criterion on 1 Jan. 2008 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

③ Acquiring shares of minority interest

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

④ Disposal of long-term equity investment

In the preparation of financial statements, the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the Company losses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall treated in accordance with the relevant accounting policies in Note IV. 5 (2) — Method on preparation of combined financial statements.

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owning to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owning to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Group lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Group acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Group lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owning to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Group respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

13. Investment real estates

The term "investment real estates" refers to the real estate held for generating rent and/or capital appreciation. Investment real estates of the Group include the right to use any land which has already been rented; the right to use any land which is held and prepared for transfer after appreciation; and the right to use any building which has already been rented.

The initial measurement of the investment real estate shall be made at its cost. Subsequent expenditures incurred for an investment real estate is included in the cost of the investment real estate when it is probable that economic benefits associated with the investment real estate will flow to the Group and the cost can be reliably measured, otherwise the expenditure is recognized in profit or loss in the period in which they are incurred.

The Group shall make a follow-up measurement to the investment real estates by employing the cost pattern on the date of the balance sheet. An accrual depreciation or amortization shall be made for the investment real estates in the light of the accounting policies of the use right of buildings or lands.

For details of impairment test method and withdrawal method of impairment provision of investment real estates, please refer to Note IV. 16. Impairment of Non-current Non-financial Assets.

When owner-occupied real estate or inventories are changed into investment real estate or investment real estate is changed into owner-occupied real estate, of which book value prior to the change shall be the entry value after the change.

When an investment real estate is changed to an owner-occupied real estate, it would be transferred to fixed assets or intangible assets at the date of such change. When an owner-occupied real estate is changed to be held to earn rental or for capital appreciation, the fixed asset or intangible asset is transferred to investment real estate at the date of such change. If the fixed asset or intangible asset is changed into investment real estate measured by adopting the cost pattern, whose book value prior to the change shall be the entry value after the change; if the fixed asset or intangible asset is changed into investment real estate measured by adopting the fair value pattern, whose fair value on the date of such change shall be the entry value after the change

An investment real estate is derecognized on disposal or when the investment real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment real estate less its carrying amount and related taxes and expenses is recognized in profit or loss in the period in which it is incurred.

14. Fixed assets

(1) Conditions for recognition of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) their useful life is in excess of one fiscal year. The fixed assets are only recognized when the relevant economic benefits probably flow in the Group and its cost could be reliable measured. The fixed assets should take the initial measurement according to the cost and at the same time consider the influences of the factors of the estimated discard expenses.

(2) Depreciation methods of each fixed asset

The fixed assets should be withdrawn and depreciation by straight-line depreciation within the useful life since the next month when the fixed assets reach the estimated available state. The useful life, estimated net salvage and the yearly discounted rate of each fixed asset are as follows:

Category of fixed assets	Method	Useful life (Year)	Expected net salvage value (%)	Annual deprecation (%)
Housing and building	Straight-line depreciation	20-40	10.00	2.25-4.50
Machinery equipment	Straight-line depreciation	10	10.00	9.00
Electronic equipment	Straight-line depreciation	5	10.00	18.00
Transportation vehicle	Straight-line depreciation	5	10.00	18.00
Other equipment	Straight-line depreciation	5	10.00	18.00

The "expected net salvage value" refers to the expected amount that the Group may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected useful life.

(3) Testing method of impairment and withdrawal method of provision for impairment on fixed assets

For details of the testing method of impairment and withdraw method of impairment provision for impairment on fixed assets, please refer to Note IV. 19 "Long-term assets impairment".

(4) Recognition basis, pricing and depreciation method of fixed assets by finance lease

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Its ownership may or may not eventually be transferred. The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(5) Other explanations

The follow-up expenses related to a fixed asset, if the economic benefits pertinent to this fixed asset are likely to flow into the enterprise and its cost can be reliably measured, shall be recorded into cost of fixed assets and ultimately recognized as the book value of the replaced part; otherwise, they shall be included in the current profits and losses.

Terminate to recognize the fixed assets when the fixed assets under the disposing state or be estimated that could not occur any economy benefits through using or disposing. When the Group sells, transfers or discards any fixed assets, or when any fixed assets of the Group is damaged or destroyed, the Group shall deduct the book value of the fixed assets as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

The Group shall check the useful life, expected net salvage value and depreciation method of the fixed assets at the end of the year at least, if there is any change, it shall be regarded as a change of the accounting estimates.

15. Construction in progress

Construction in process is measured at actual cost. Actual cost comprises construction costs, borrowing costs that are eligible for capitalization before the fixed assets being ready for their intended us and other relevant costs. Construction in process is transferred to fixed assets when the assets are ready for their intended use.

For details of the testing method of impairment and withdraw method of impairment provision on construction in progress, please refer to Note IV. 19 “Long-term assets impairment”.

16. Borrowing costs

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. When the borrowing costs can be directly attributable to the construction or production of assets eligible for capitalization, and the asset disbursements or the borrowing costs have already incurred, and the construction or production activities which are necessary to prepare the asset for its intended use or sale have already started, the capitalization of borrowing costs begins. When the asset eligible for capitalization under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recognized as expenses when incurred.

The to-be-capitalized amount of interests shall be determined in light of the actual interests incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment; the enterprise shall calculate and determine the to-be-capitalized amount on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the period of capitalization, the exchange balance on foreign currency special borrowings shall be capitalized; the exchange balance on foreign currency general borrowings shall be recorded into current profits and losses.

The term “assets eligible for capitalization” refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

17. Intangible assets

(1) Pricing method, useful life and impairment test

The term “intangible asset” refers to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape.

The intangible assets shall be initially measured according to its cost. The costs related with the intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded into the costs of intangible assets; otherwise, it shall be recorded into current profits and losses upon the occurrence.

The use right of land gained is usually measured as intangible assets. For the self-developed and constructed factories and other constructions, the related expenditures on use right of land and construction costs shall be respectively measured as intangible assets and fixed assets. For the purchased houses and buildings, the related payment shall be distributed into the payment for use right of land and the payment for buildings, if it is difficult to be distributed, the whole payment shall be treated as fixed assets.

For intangible assets with a finite service life, from the time when it is available for use, the cost after deducting the sum of the expected salvage value and the accumulated impairment provision shall be amortized by straight line method during the service life. While the intangible assets without certain service life shall not be amortized.

At the end of period, the Group shall check the service life and amortization method of intangible assets with finite service life, if there is any change, it shall be regarded as a change of the accounting estimates. Besides, the Group shall check the service life of intangible assets without certain service life, if there is any evidence showing that the period of intangible assets to bring the economic benefits to the enterprise can be prospected, it shall be estimated the service life and amortized in accordance with the amortization policies for intangible assets with finite service life.

(2) R & D expenses

The expenditures for internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures.

The research expenditures shall be recorded into the profit or loss for the current period.

The development expenditures shall be confirmed as intangible assets when they satisfy the following conditions simultaneously, and shall be recorded into profit or loss for the current period when they don’t satisfy the following conditions.

① It is feasible technically to finish intangible assets for use or sale;

② It is intended to finish and use or sell the intangible assets;

③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

⑤ The development expenditures of the intangible assets can be reliably measured.

As for expenses that can’t be identified as research expenditures or development expenditures, the occurred R & D expenses shall be all included in current profits and losses.

(3) Testing method of impairment and withdraw method of impairment provision of intangible assets

For details of the testing method of impairment and withdraw method of impairment provision on intangible assets, see Notes IV. 19 "Long-term assets impairment".

18. Amortization method of long-term deferred expenses

Long-term deferred expenses refer to general expenses with the apportioned period over one year (one year excluded) that have occurred but attributable to the current and future periods. Long-term deferred expense shall be amortized averagely within benefit period.

19. Impairment of long-term assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Group should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer's price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

20. Employee compensation

Employee compensation of the Company mainly includes short-term employee compensation, departure benefits, demission benefits and other long-term employee compensation. Of which:

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

Welfare after demission mainly includes setting drawing plan. Defined contribution plans include basic endowment insurance, unemployment insurance and annuity. Deposited amounts are charged to relevant asset costs or current profits and losses during the period in which they are incurred. Defined benefit plan of the Company is internal early retirement plan. According to anticipated accumulative welfare unit, the Company makes estimates by unbiased and consistent actuarial assumption for the demographic variables and financial variables, measures the obligations produced in defined benefit plans, and determines the vesting period. On balance sheet date, the Company will list all obligations in defined benefit plans as present value and include current service costs into current profits and losses.

When terminating labor relations before expiration of contract, or layoffs with compensations, and the Company can not terminate the labor relations unilaterally or reduce the demission welfare, remuneration and liabilities produced from the demission welfare should be determined and included in current profits and losses when determining the costs of demission welfare and recombination. However, demission welfare not fully paid within 12 months after annual report period should be handled the same as other long-term employees' payrolls.

The inside employee retirement plan is treated by adopting the same principle with the above dismiss ion welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (dismiss ion welfare) under the condition that they meet the recognition conditions of estimated liabilities.

The other long-term welfare that the Group offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

21. Estimated liabilities

The company should recognize the related obligation as a provision for liability when the obligation meets the following conditions: (1) That obligation is a present obligation of the enterprise; (2) It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation; (3) A reliable estimate can be made of the amount of the obligation.

On the balance sheet date, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies to measure the estimated liabilities in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

When all or some of the expenses necessary for the liquidation of an estimated liabilities of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. Besides, the amount recognized for the reimbursement should not exceed the book value of the estimated liabilities.

22. Revenue

(1) Revenue from selling goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

The recognition of revenue from commodities for the home market when shipping the goods: for good exported by way of FOB, the revenue shall be recognized once the goods were delivered to the carrier designated by the purchaser; for goods exported by way of CIF, the revenue shall be recognized once the goods reach the port of the purchase.

(2) Providing labor services

If the Group can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the date of the balance sheet. The completed proportion of a transaction concerning the providing of labor services shall be decided by the proportion of the labor service already provided to the total labor service to provide.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: ① The amount of revenue can be measured in a reliable way; ② The relevant economic benefits are likely to flow into the enterprise; ③ The schedule of completion under the transaction can be confirmed in a reliable way; and ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the outcome of a transaction concerning the providing of labor services cannot be measured in a reliable way, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated, and make the cost of labor services incurred as the current expenses. If it is predicted that the cost of labor services incurred couldn’t be compensated, thus no revenue shall be recognized.

Where a contract or agreement signed between Group and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can not be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

(3) Recognition method of the sales revenues of real estate

The Group had signed the sales contract with the real estate had completed and be examined qualified, and reached the referable using conditions agreed by the sales contract as well as at the same time the housing accounts had been recognized the realize of the sales revenues when received with full amount according to the sales contract.

(4) Royalty revenue

In accordance with relevant contract or agreement, the amount of royalty revenue should be recognized as revenue on accrual basis.

(5) Interest revenue

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Group's monetary fund is used by others and the agreed interest rate.

(6)Property leasing revenue

For the recognition method of the property leasing revenue, please refer to Notes IV. 25.

23. Government subsidies

A government subsidy means the monetary or non-monetary assets obtained free by the Group from the government, but excluding the capital invested by the government as the owner of the enterprise. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount. The government subsidies measured at their nominal amounts shall be directly included in the current profits and losses.

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

Where it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows: if there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; or if there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

24. Deferred income tax assets/deferred income tax liabilities

(1) Income tax of the current period

On the balance sheet date, for the current income tax liabilities (or assets) of the current period as well as the part formed during the previous period, should be measured by the income tax of the estimated payable (returnable) amount which be calculated according to the regulations of the tax law. The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of 2014 which in accord to the relevant regulations of the tax law.

(2) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of certain assets and liabilities and their tax assessment basis, as well as the temporary difference occurs from the difference between the book value of the items which not be recognized as assets and liabilities but could confirm their tax assessment basis according to the regulations of the tax law, the deferred income tax assets and the deferred income tax liabilities should be recognized by adopting liabilities law of the balance sheet.

No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill, the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). Besides, no deferred tax assets is recognized for the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises, and the investing enterprise can control the time of the reverse of temporary differences as well as the temporary differences are unlikely to be reversed in the excepted future. Otherwise, the Group should recognize the deferred income tax liabilities arising form other taxable temporary difference.

No deferred taxable assets should be recognized for the deductible temporary difference of initial recognition of assets and liabilities arising from the transaction which is not business combination, the accounting profits will not be affected, nor will the taxable amount or deductible loss be affected at the time of transaction. Besides, no deferred taxable assets should be recognized for the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises, which are not likely to be reversed in the expected future or is not likely to acquire any amount of taxable income tax that may be used for making up such deductible temporary differences. Otherwise, the Company shall recognize the deferred income tax assets arising from a deductible temporary difference basing on the extent of the amount of the taxable income that is likely to be acquired to make up such deductible temporary differences

For any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax asset shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The book value of deferred income tax assets shall be reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the book value of the deferred income tax assets shall be written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

The rest current income tax and the deferred income tax expenses or revenue should be included into current gains and losses except for the current income tax and the deferred income tax related to the transaction and events that be confirmed as other comprehensive income or be directly included in the shareholders' equity which should be included in other comprehensive income or shareholders' equity as well as the book value for adjusting the goodwill of the deferred income tax occurs from the business combination.

(4) Offset of income tax

The current income tax assets and liabilities of the Group should be listed by the written-off net amount which intend to executes the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred income tax assets and liabilities of the Group should be listed as written-off net amount when having the legal rights of settling the current income tax assets and liabilities by net amount and the deferred income tax and liabilities is relevant to the income tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net amount or are at the same time acquire the asset as well as liquidate the liabilities.

25. Leasing

Financing leasing virtually transferred the whole risks and leasing of the compensation related to the assets ownership and their ownership may eventually be transferred or maybe not. Other leasing except for the financing leasing is operating leasing.

(1) Business of operating leases recorded by the Group as the lessee

The rent expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be recognized as the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(2) Business of operating leases recorded by the Group as the lessor

The rent incomes from operating leases shall be recognized as the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs of great amount shall be capitalized when incurred, and be recorded into current profits and losses in accordance with the same basis for recognition of rent incomes over the whole lease term. The initial direct costs of small amount shall be recorded into current profits and losses when incurred. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(3) Business of finance leases recorded by the Group as the lessee

On the lease beginning date, the Group shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. Besides, the initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The balance through deducting unrecognized financing charges from the minimum lease payments shall be respectively stated in long-term liabilities and long-term liabilities due within 1 year.

Unrecognized financing charges shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing charges. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(4) Business of finance leases recorded by the Group as the lessor

On the beginning date of the lease term, the Group shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. The balance through deducting unrealized financing incomes from the finance lease accounts receivable shall be respectively stated in long-term claims and long-term claims due within 1 year.

Unrecognized financing incomes shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing revenues. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

26. Changes in main accounting policies and estimates

(1) Change of accounting policies

There was no any change of accounting policies of the Company in the Reporting Period.

(2) Change of accounting estimates

There was no any change of accounting estimate of the Company in the Reporting Period.

27. Critical accounting judgments and estimates

Due to the inside uncertainty of operating activity, the Group needed to make judgments, estimates and assumption on the book value of the accounts without accurate measurement during the employment of accounting policies. And these judgments, estimates and assumption were made basing on the prior experience of the senior executives of the Group, as well as in consideration of other factors. These judgments, estimates and assumption would also affect the report amount of income, costs, assets and liabilities, as well as the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of these estimates was likely to cause significant adjustment on the book value of the affected assets and liabilities.

The Group would check periodically the above judgments, estimates and assumption on the basis of continuing operation. For the changes in accounting estimates only affected on the current period, the influence should be recognized at the period of change occurred; for the changes in accounting estimates affected the current period and also the future period, the influence should be recognized at the period of change occurred and future period.

On the balance sheet date, the Group needed to make judgments, estimates and assumption on the accounts in the following important items:

(1) Categorization of leasing

In accordance with Accounting Standards for Enterprises No. 21 – Leasing, the Group categorized the leasing into operating lease and finance lease. During the categorization, the management level needed to make analysis and judgment on whether all the risk and compensation related with the leased assets had been transferred to the leasee, or whether the Group had already undertaken all the risk and compensation related with the leased assets.

(2) Provision for bad debts

In accordance with the accounting policies of accounts receivable, the Group measured the losses for bad debts by adopting allowance method. The impairment of accounts receivable was based on the appraisal of the recoverability of accounts receivable. The impairment of accounts receivable was dependent on the judgment and estimates. The actual amount and the difference of previous estimates would affect the book value of accounts receivable and the withdrawal and reversal on provision for bad debts of accounts receivable during the period of estimates being changed.

(3) Provision for falling price of inventories

In accordance with the accounting policies of inventories, for the inventories that the costs were more than the net realizable value as well as out-of-date and dull-sale inventories, the Group withdrawn the provision for falling price of inventories on the lower one between costs and net realizable value. Evaluating the falling price of inventories needed the management level gain the valid evidence and take full consideration of the purpose of inventories, influence of events after balance sheet date and other factors, and then made relevant judgments and estimates. The actual amount and the difference of previous estimates would affect the book value of inventories and the withdrawal and reversal on provision for bad debts of inventories during the period of estimates being changed.

(4) The fair value of financial instrument

For the financial instruments without active market, the Group recognized the fair value by various methods. These evaluation methods included discounted cash flow mode analysis, etc. The Group needed to estimate the future cash flow, credit risk, fluctuation rate of market and relativity and other factors, as well as choose the property discount rate. Due to the uncertainty of relevant assumptions, so their changes would affect the fair value of financial instrument.

(5) Impairment of the investment held-to-maturity

Whether execute the impairment on the investment held-to-maturity depends on the judge from the management level. The objective evidence of the occurrence of the impairment including the situations such as the serious financial difficulties of the issuer which led the financial assets couldn’t continue to deal in the active market and the failure of executing the contract regulations (e.g. there was violation of the interest or principal payment). During the execution of the judgment, the Company needs to assess the influences from the objective evidence of the impairment occurrence on the expected future cash flow of the investment.

(6) The impairment of financial assets available for sale

The Group judged whether the financial assets available for sale were impaired relying heavily on the judgment and assumption of the management team, so as to decide whether recognized the impairment losses in the income statement. During the process of making the judgment and assumption, the Group needed to appraise the balance of the cost of the investment exceeding its fair value and the continuous period, the financial status and business forecast in a short period, including the industrial situation, technical reform, credit level, default rate and risk of counterparty.

(7) Provision for impairment of non-financial non-current assets

The Group made a judgment on the non-current assets other than financial assets whether they had any indication of impairment on the balance sheet date. For the intangible assets without finite service life, other than the annual impairment test, they should be subject to the impairment test when there was any indication of impairment. For other non-current non-financial assets, which should be subjected to impairment test when there was indication of impairment indicated that the book value can’t be recoverable.

When the book value of the assets or assets portfolio was more than the recoverable amount, which was the higher one between the net amount of fair value after deducting the disposal expenses and the discounted amount of the estimated future cash flow, it means impairment incurred.

The net amount of fair value after deducting the disposal expenses should be fixed the price in the sale agreement for similar assets in the fair transaction minus the increased costs directly attributable to the assets disposal.

When estimated the discounted value of future cash flow, the Group needed to make important judgment on the output, selling price, relevant costs and the discount rate for calculating the discounted amount, etc. When estimated the recoverable amount, the Group would adopt all the available documents, including the prediction for relevant output, selling price and relevant operating costs arising from reasonable and supportive assumptions.

The Group made the impairment test on goodwill at least one time per year, which required to predict the discounted amount of the future cash flow of the assets or assets portfolio with the distributed good will, for which, the Group needed to predict the future cash flow of the assets or assets portfolio, and adopt the property discounted rate to decide the discounted amount of future cash flow.

(8) Depreciation and amortization

For the investment real estate, fixed assets and intangible assets, the Group withdrew the depreciation and amortization by adopting the straight-line method during the service life after full consideration of the salvage value. The Group checked the service life periodically so as to decide the amount of depreciation and amortization at each Reporting Period. The service life was fixed by the Group in accordance with the previous experience of the similar assets and the expected technical update. If there was any significant change on the previous estimates, the depreciation and amortization expenses should be adjusted.

(9) Expenditures for development

When fixing the amount of capitalization, the management level of the Group needed to make assumption on the predicted future cash flow, property discounted rate and estimated beneficiary period for relevant assets.

(10) Deferred income tax assets

Within the limit that it was likely to have sufficient taxable profits to offset the losses, the Group recognized the deferred income tax assets by all the unused tax losses, which needed the management level of the Group to estimate time and amount of the future taxable profits incurred with many judgments, as well as integrate strategy of tax payment, to decide the amount of deferred income tax assets which should be recognized.

(11) Income tax

During the routine operating activities, there were some uncertainty in the ultimate tax treatment and calculation for parts of transactions. Some accounts of such transaction could be listed as pre-tax expenditures only after the approval of taxation authorities. If there were any differences between the ultimate result of recognition for these taxation maters and their initial estimates, the differences would affect the current income tax and deferred income tax at the period of ultimate recognition.

(12) Internal early retirement welfare and supplementary retirement welfare

Amounts of expenditures and liabilities of internal early retirement welfare and supplementary retirement welfare should be determined according to assumption terms. Assumption terms include discount rate, average growth rate of medical costs, growth rate of subsidies for early retirement employees and retirees and other factors. The differences of actual results and assumption should be confirmed immediately and included into costs of current year. Although the management have adopted reasonable assumption terms, changes of actual experience value and assumption terms may affect the internal early retirement welfare, supplementary retirement benefits and balance of liabilities.

(13) Estimated liabilities

The Group made the estimation on product quality guarantee, predicted loss of contract and the fine for delayed delivery etc. and withdrew the relevant provision for estimated liabilities in accordance the provisions of contract, current knowledge and experience. Under the condition that the contingent event has formed a current duty and fulfilling the duty is likely to cause the economical interest outflow the Group, the Group measures the estimated liabilities in accordance with the best estimate of the necessary expenses for the performance of the current duty. The recognition and measurement of estimated liabilities were heavily relied on the judgment of the management team. During the process of making judgment, the Group needed to appraise the relevant risks, uncertainty and the time value of money and etc.

Of which, the Group estimated the liabilities basing on the after-sale services commitments to the customers upon the sale, repair and reform of goods. When estimating the liabilities, the Group has fully taken the consideration of the latest repair experience, but which may not reflect the repair situation in the future. Any increase / decrease of the provision for estimated liabilities may affect the profits and losses in the future periods.

V. Taxation

1. Main taxes and tax rate

Category of taxes	Specific situation of the taxes rate
VAT	Calculated the output tax at 17% of taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period, of which the subsidiary Europe Konka of 19%; the value added apart of the brand of Telecommunication Technology of 6%.
Business tax	Paid by 5% of taxable business income in January – April, and changed to paid by VAT since May.
Urban maintenance and construction tax	Paid at 7% of the circulating tax actually paid, of which Dongguan Packing, Dongguan Konka, Boluo Konka, Boluo Konka Precision and Kunshan Kangsheng of 5%.
Enterprise income tax	Paid at 25% of the taxable income, of which Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading and Konka Zhisheng of 16.5%, Telecommunication Technology, Chongqing Qingjia, Kunshan Konka, Dongguan Konka, Wankaida and Business System of 15%, Konka America of 28% , Konka Europe of 31% and E2info 10%.
Education surtax	Paid at 3% of the circulating tax actually paid.
Local education surtax	Paid at 2% of the circulating tax actually paid.

(1) In accordance with the Notice on Printing the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by the Ministry of Finance, Ministry of Environmental Protection, National Development and Reform Commission, Ministry of Industry and Information, General Administration of Customs and National Taxation Bureau (CZ [2012] No. 34), and the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by National Taxation Bureau (GJSWZJGG [2012] No. 41), the domestic

manufacturer of the electrical appliances and electronic products of PRC started to pay the treatment funds for discarded electrical appliance and electronic products according the sales volume (trusted processing amount) and relevant charging standards from 1 July 2012. According to the regulations, the Group's charging standards were RMB13 per set of TV, RMB12 per set of refrigerator and RMB7 per set of washing machine.

(2) According to regulations of Temporary Provisions of Income Tax of Trans-boundary Tax Payment Enterprises by State Administration of Taxation, resident enterprises without business establishment or places of legal persons should be tax payment enterprises with the administrative measures of income tax of "unified computing, level-to-level administration, local prepayment, liquidation summary, and finance transfer". It came into force from January 1, 2008. According to the above methods, the Company's sales branch companies in each area will hand in the corporate income taxes in advance from 1 January 2008 and will be final settled uniformly by the Company at the year-end.

(3) The Company's subsidiary, Communication Technology Co., Ltd, is engaged in value-added services of brand costs. According to Notice of the Ministry of Finance and the State Administration of Taxation on the Pilot Work of Levying Value-Added Tax in Lieu of Business Tax in the Transportation Industry and Some Modern Service Industries in Beijing and Other Seven Provinces and Cities (CS[2012] No.71), added-value tax is levied from 1 November 2012, with tax rate of 6%.

2. Tax preference and approved document

(1) On 30 September 2014, the subsidiary of the Company Shenzhen Konka Telecommunication Technology Co., Ltd. acquired the certificate of high-technology enterprises jointly issued by Shenzhen Science and technology Innovation Committee, Shenzhen Finance Committee, Shenzhen Provincial Office, SAT, and Shenzhen Local Taxation Bureau, with the certification number of GR201444201101 and the validity of three years. According to the relevant taxation regulations, the Telecommunication Technology could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2014 to 2016, and pay for the corporate income tax according to 15% of the preferential tax rate.

(2) The Company's subsidiary—Chongqing Qingjia Electronics Co., Ltd. is levied the business income tax at the preferential tariff of 15% from 1 Jan. 2011 to 31 Dec. 2020 in accordance with CS (2011) No. 58 Notice on Relevant Tax Policies on Deeply Implementing the western development strategy.

(3) On 5 August 2014, the subsidiary of the Company, Kunshan Konka Electronics Co., Ltd. acquired the certificate of high-technology enterprises joint issued by Jiangsu Province Science and Technology Department, Department of Finance of Jiangsu Province, Jiangsu Province Municipal Office, SAT, and Jiangsu Local Taxation Bureau with the certification number of GF201432000413 and the validity of three years. According to the relevant taxation regulations, the Kunshan Konka could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2014 to 2016, and pay for the corporate income tax according to 15% of the preferential tax rate.

(4) On 10 October 2014, the subsidiary of the Company, Dongguan Konka acquired the certificate of high-technology enterprises joint issued by Guangdong Province Science and Technology Department, Department of Finance of Guangdong Province, Guangdong Province Municipal Office, SAT, and Guangdong Local Taxation Bureau with the certification number of GF201444001341 and the validity of three years. According to the

relevant taxation regulations, the Dongguan Konka could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years since 2014, and pay for the corporate income tax according to 15% of the preferential tax rate.

(5) On 30 September 2014, the Company's subsidiary, Shenzhen Wankaida Science and Technology Co., Ltd. acquired the certificate of high-technology enterprises joint issued by Shenzhen Science and technology Innovation Committee, Shenzhen Finance Committee, Shenzhen Provincial Office, SAT, and Shenzhen Local Taxation Bureau with the certification number of GR201444201523 and the validity of three years. According to the relevant taxation regulations, the Anhui Tongchuang could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2012 to 2014, and pay for the corporate income tax according to 15% of the preferential tax rate.

(6) The annual income tax payable ≤ RMB0.2 million of the subsidiary of the Company Shenzhen Internet Science and Technology Co., Ltd. according to the small micro enterprise income tax preferential policies among the category of the enterprise income tax, which lasts from 1 January 2015 to 31 December 2017 with 50% of the income be included in the taxable income and 20% of the tax rate to pay for the corporate income tax.

(7) According to the Notice on the Income Tax Preferential Policies and the Catalog of the Hengqin New Area of Guangdong, Fujian Pingtan Comprehensive Experimental Area and Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone issued by Ministry of Finance and SAT CS [2014] No. 26 Document, the subsidiary of the Company, Shenzhen Konka Business System Technology Co., Ltd. should pay for the corporate income tax according to 15% of the preferential tax rate since 1 January 2015 to 31 December 2020.

(8) According to the CS No. [2011] 100 Article issued by Ministry of Finance and State Administration of Taxation, if the ordinary VAT payer sells software products developed by itself, the VAT is levied at the rate of 17% and after that, the part of actual tax burden of VAT which exceeds 3% can enjoy the policy of refunding taxes immediately after levying taxes. The subsidiaries of the Company, Telecommunication Technology Co., Ltd., Information Network Co., Ltd., Wankaida Science and Technology Co., Ltd. and Yishijie Commercial Display Co., Ltd. enjoy such favorable policy.

VI. Notes on major items in consolidated financial statements of the Company

Unless otherwise noted, the following annotation project (including the main projects annotation of the financial statement of the Company), the period-begin refers to 1 January 2016, the period-end refers to 30 June 2016 and this period refers to January – June 2016 with the last period of January – June 2015.

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	3,160.55	4,217.37
Bank deposits	2,469,947,605.93	1,488,150,633.98
Other monetary funds	128,266,065.72	218,292,077.57
Total	**2,598,216,832.20**	**1,706,446,928.92**
of which: total amount deposited in overseas	239,092,489.89	205,900,491.11

Notes: The closing balance of other monetary funds was the deposits of each margin deposit not withdrawn at any time.

2. Financial assets measured by fair value and the changes be included in the current gains and losses

Item	Closing balance	Opening balance
Protocol proceeds of the forward foreign exchange purchase	15,462,265.94	33,196,377.28
Total	**15,462,265.94**	**33,196,377.28**

3. Notes receivable

(1) Category of notes receivable

Item	Closing balance	Opening balance
Banker’s acceptance bill	2,458,053,333.17	2,879,244,863.46
Commercial acceptance bill	0.00	1,615,886.98
Total	**2,458,053,333.17**	**2,880,860,750.44**

(2) Notes receivable pledged by the Company at the period-end

Item	Amount
Banker’s acceptance bill	1,487,252,160.59
Total	**1,487,252,160.59**

(3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Banker’s acceptance bill	512,025,328.95	—
Total	**512,025,328.95**	—

Notes: Up to 30 June 2016, the Company pledged the banker’s acceptance bill of the book value of RMB1,487,252,160.59 for the comprehensive financing business such as handling the billing, letter of credit and the trading financing.

4. Accounts receivable

(1) Accounts receivable disclosed by category

Category	Closing balance		
	Book balance	Bad debt provision	Book value

	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	21,847,005.37	0.92	21,847,005.37	100.00	—
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	2,277,788,645.31	95.71	244,952,995.37	10.75	2,032,835,649.94
Subtotal of groups	**2,277,788,645.31**	95.71	**244,952,995.37**	10.75	2,032,835,649.94
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	80,311,713.92	3.37	72,136,163.67	89.82	8,175,550.25
Total	**2,379,947,364.60**	100.00	**338,936,164.41**	14.24	**2,041,011,200.19**

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	21,847,005.37	0.92	21,847,005.37	100.00	—
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	2,284,090,249.64	95.88	244,107,868.37	10.69	2,039,982,381.27

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Subtotal of groups	**2,284,090,249.64**	**95.88**	**244,107,868.37**	10.69	**2,039,982,381.27**
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	76,251,927.24	3.20	67,420,869.17	88.42	8,831,058.07
Total	**2,382,189,182.25**	**100.00**	**333,375,742.91**	**13.99**	**2,048,813,439.34**

① Accounts receivable with significant individual amount and make independent provision for bad debt at the year-end

Accounts receivable (classified by units)	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer A	21,847,005.37	21,847,005.37	100.00	The counterparty's company went bankrupt and expected hard to recover

② In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	1,993,357,875.61	41,438,196.96	2.00
1 to 2 years	53,662,510.21	2,683,125.52	5.00
2 to 3 years	30,227,303.41	6,045,460.69	20.00
3 to 4 years	11,509,487.78	5,754,743.90	50.00
4 to 5 years	0.00	0.00	50.00
Over 5 years	189,031,468.30	189,031,468.30	100.00
Total	**2,277,788,645.31**	**244,952,995.37**	

③ Top 5 of the accounts receivable with insignificant single amount but individually withdrawn the bad debt provision

Accounts receivable (classified by units)	Closing balance			
	Accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason
Customer 1	18,226,894.62	18,226,894.62	100.00	Had difficulty in operation
Customer 2	12,423,847.30	12,423,847.30	100.00	Involved with lawsuit dispute
Customer 3	8,223,935.99	4,111,968.00	50.00	Involved with lawsuit dispute
Customer 4	5,672,186.37	5,672,186.37	100.00	Involved with lawsuit dispute
Customer 5	3,421,228.28	3,421,228.28	100.00	Involved with lawsuit dispute
Total	**47,968,092.56**	**43,856,124.57**	91.43	

(2) Accounts receivable withdraw, reversed or collected of 2016

The withdrawn bad debt provision of 2016 was of RMB7,227,998.88, the amount of the bad debt provision reversed of 2016 was of RMB2,069,693.65 and the other increase of RMB402,116.27.

(3) Top 5 of the closing balance of the accounts receivable colleted according to the arrears party at the year-end

The total amount of the Top 5 of the closing balance of the accounts receivable colleted according to the arrears party at the year-end was of RMB772,415,216.56 that covered the proportion of 32.46% in the total amount of the accounts receivable at the year-end, and the total amount of the corresponding withdrew bad debt provision was of RMB15,448,304.33.

5. Prepayment

(1) List by aging analysis:

Aging	Closing balance			Opening balance		
	Book value		Bad debt provision	Book value		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	386,002,591.20	96.52	653,338.17	192,024,479.90	92.75	527,017.04
1 to 2 years	2,812,252.50	0.70	440,563.89	1,037,032.15	3.04	406,683.12
2 to 3 years	3,796,698.61	0.95	983,384.72	3,154,864.60	0.85	1,716,100.63

Over 3 years	7,307,892.82	1.83	7,041,226.34	6,774,559.86	3.36	6,676,515.06
Total	**399,919,435.13**	100.00	**9,118,513.12**	**202,990,936.51**	**100.00**	**9,326,315.85**

Notes: prepayments of significant amount and aged more than 1 year were mainly the unamortized expenses and the prepayments of the purchase of the materials respectively of RMB4,632,126.10 and RMB4,154,625.44. Of which the amount of RMB4,154,625.44 was the relevant materials which had quality problems and had not handle the accounts settlement as well as the material warehousing formalities, and the materials purchase account prepaid should be presented as the prepayments.

(2) Top 5 of the closing balance of the prepayment colleted according to the prepayment target

The total amount of the Top 5 of the closing balance of the prepayment colleted according to the prepayment target was of RMB56,430,648.46, which was of 14.11% of the total amount of the year-end balance of the prepayments.

6. Interests receivable

Item	Closing balance	Opening balance
Fixed term deposit interest	5,287,614.37	7,325,298.41
Entrusted loan interest	0.00	101,111.11
Total	**5,287,614.37**	**7,426,409.52**

7. Dividends receivable

Item	Closing balance	Opening balance
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	10,171,609.48	—
Total	**10,171,609.48**	—

8. Other accounts receivable

(1) Other accounts receivable disclosed by category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant individual amount and make independent provision for bad debt	183,915,489.33	57.58	172,103,832.55	93.58	11,811,656.78
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					0.00
Group 1: Aging group	135,060,279.72	42.29	24,963,763.25	18.48	110,096,516.47
Subtotal of groups	**135,060,279.72**	42.29	**24,963,763.25**	18.48	110,096,516.47
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	402,820.00	0.13	402,820.00	100.00	0.00
Total	**319,378,589.05**	100.00	**197,470,415.80**	61.83	121,908,173.25

(Continued)

Category	Book balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant individual amount and make independent provision for bad debt	183,881,677.62	51.78	171,132,382.98	93.07	12,749,294.64
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: Aging group	170,855,404.47	48.11	23,438,919.29	13.72	147,416,485.18

Category	Book balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Subtotal of groups	170,855,404.47	48.11	23,438,919.29	13.72	147,416,485.18
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	402,820.00	0.11	402,820.00	100.00	—
Total	**355,139,902.09**	**100.00**	**194,974,122.27**	**54.90**	**160,165,779.82**

① In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision at the period-end

Other accounts receivable (classified by units)	Closing balance			
	Other accounts receivable	Bad debt provision	Withdraw proportion (%)	Withdraw reason
Energy saving subsidies	152,402,680.00	152,402,680.00	100.00	Unable to recover
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	6,304,295.73	34.80	Difficult to recover in full amount after assessment
Chongqing Automotive Electronics	13,396,856.82	13,396,856.82	100.00	Difficult to recover owning to bankruptcy and liquidation
Total	**183,915,489.33**	**172,103,832.55**	93.58	—

② Other accounts receivable with insignificant single amount for which bad debt provision

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdraw proportion (%)
Within 1 year	79,590,370.77	1,593,781.62	2.00
1 to 2 years	14,685,550.19	734,277.51	5.00
2 to 3 years	18,515,241.36	3,703,048.27	20.00
3 to 4 years	4,097,562.92	2,048,781.46	50.00
4 to 5 years	2,575,360.19	1,287,680.10	50.00
Over 5 years	15,596,194.29	15,596,194.29	100.00
Total	**135,060,279.72**	**24,963,763.25**	

(2) Accounts receivable withdraw, reversed or collected of the Reporting Period

The withdrawn bad debt provision of the Reporting Period was of RMB3,215,819.37, the amount of the bad debt provision reversed of the Reporting Period was of RMB206,261.96 and the other increase of RMB513,263.88.

(3) Top 5 of the closing balance of the accounts receivable colleted according to the arrears party at the year-end

Name of units	Nature	Closing balance	Aging	Proportion of the total amount of the closing balance of other accounts receivable (%)	Closing balance of the bad debt provision
Customer A	Energy saving subsidies	152,402,680.00	1-2 years 2-3 years	47.72	152,402,680.00
Customer B	Advance money for another	8,161,648.00	1-2 years, 2-3 years	2.56	486,098.96
Customer C	Land account	2,570,568.00	2-3 years	0.80	514,113.60
Customer D	Cash deposits	2,480,401.90	3-4 years	0.78	1,240,200.95
Customer E	Advance money for another	2,564,977.18	Within 1 year	0.80	51,299.54
Total		**168,180,275.08**		**52.66**	**154,694,393.05**

9. Inventory

(1) Category

Item	Closing balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Development projects of the property:				
Development cost	339,604,408.30			339,604,408.30
Development products	37,351,801.85	976,899.59		37,351,801.85
Subtotal	**376,956,210.15**	**976,899.59**		**376,956,210.15**
Non-development projects of the property:				
Raw materials	785,602,577.94		27,489,540.80	758,113,037.14
Semi-finished product	114,726,751.46		11,594,633.30	103,132,118.16

Item	Closing balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Inventory goods	1,874,135,968.87		186,780,793.39	1,687,355,175.48
Turnover material				
Subtotal	**2,774,465,298.27**		**225,864,967.49**	**2,548,600,330.78**
Total	**3,151,421,508.42**	**976,899.59**	**225,864,967.49**	**2,925,556,540.93**

(Continued)

Item	Opening balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Development projects of the property:				
Development cost	270,136,005.18	—	—	270,136,005.18
Development products	194,778,406.05	3,693,784.24	—	194,778,406.05
Subtotal	**464,914,411.23**	**3,693,784.24**	—	**464,914,411.23**
Non-development projects of the property:				
Raw materials	611,138,306.26	—	53,034,708.44	558,103,597.82
Semi-finished product	152,737,782.18	—	54,853,159.84	97,884,622.34
Inventory goods	1,960,267,024.10	—	199,769,581.12	1,760,497,442.98
Turnover material	1,115,838.91	—	—	1,115,838.91
Subtotal	**2,725,258,951.45**	—	**307,657,449.40**	**2,417,601,502.05**
Total	**3,190,173,362.68**	**3,693,784.24**	**307,657,449.40**	**2,882,515,913.28**

(2) List of the development cost

Name of the projects	Starting time	Expected completion time of the next batch	Opening balance	Closing balance
Shuiyue Zhouzhuang Project	Y2011	Completion by stages	268,056,798.18	339,125,697.71
Kangqiao Jiacheng	Undetermined	Undetermined	2,079,207.00	478,710.59

Total			**270,136,005.18**	**339,604,408.30**

(3) List of the developed products

Name of the projects	Completion time	Opening balance	Increased	Decreased	Closing balance
Shuiyue Zhouzhuang (Phase I Residence)	Y2014	79,683,074.34		61,370,551.66	18,312,522.68
Shuiyue Zhouzhuang (Phase II Residence)	Y2015	115,095,331.71		96,056,052.54	19,039,279.17
Total		**194,778,406.05**		**157,426,604.20**	**37,351,801.85**

(4) Impairment of inventories

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse	Write-off	
Raw materials	53,034,708.44	4,354,311.47		1,473,780.62	28,425,698.49	27,489,540.80
Semi-finished product	54,853,159.84	738,416.61		2,506,669.84	41,490,273.31	11,594,633.30
Inventory goods	199,769,581.12	32,653,916.40		5,759,292.72	39,883,411.41	186,780,793.39
Total	**307,657,449.40**	**37,746,644.48**		**9,739,743.18**	**109,799,383.21**	**225,864,967.49**

(5) Withdrawal provision basis of the falling price of the inventory and the reasons of the reserve or write-off

Item	Specific basis of the withdrawal of the falling price provision of inventory	Reasons of writing off the falling price provision of the inventory
Raw materials	The realizable net value was lower than the inventory cost	Disposed in the current period
Semi-finished product	The realizable net value was lower than the inventory cost	Disposed in the current period
Inventory goods	The realizable net value was lower than the inventory cost	Disposed in the current period

10. Other current assets

Item	Closing balance	Opening balance
Prepayments and deductible taxes	199,984,012.78	89,108,687.45
Entrust loans		50,000,000.00
Financial products	550,000,000.00	500,000,000.00
Unreached bank deposits		8,203,251.00
Total	**749,984,012.78**	**647,311,938.45**

11. Available-for-sale financial assets

(1) Information of available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	316,963,883.30	4,997,785.64	311,966,097.66	316,972,068.30	4,997,785.64	311,974,282.66
Of which: measured by fair value	2,865,883.30		2,865,883.30	2,874,068.30	—	2,874,068.30
Measured by cost	314,098,000.00	4,997,785.64	309,100,214.36	314,098,000.00	4,997,785.64	309,100,214.36
Total	**316,963,883.30**	**4,997,785.64**	**311,966,097.66**	**316,972,068.30**	**4,997,785.64**	**311,974,282.66**

(2) Available-for-sale financial assets measured by fair value at the period-end

Category of available-for-sale financial assets	Available-for-sale equity instruments
Cost of the equity instruments	2,311,748.07
Fair value	554,135.23
Change amount of the fair value accumulatively included in the other comprehensive income	1,235,274.30
Withdrawn impairment amount	—

(3) Available-for-sale financial assets measured by cost at the period-end

Investee	Book balance			
	Period -begin	Increase	Decrease	Period-end
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	20,000,000.00			20,000,000.00

Investee	Book balance			
	Period -begin	Increase	Decrease	Period-end
Shenzhen Tianyilian Science & Technology Co., Ltd.	4,800,000.00			4,800,000.00
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	9,500,000.00			9,500,000.00
Shenzhen A Dot TV Co., Ltd.	5,750,000.00			5,750,000.00
Feihong Electronics Co., Ltd.	1,300,000.00			1,300,000.00
ZAEFI	100,000.00			100,000.00
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00			485,000.00
Shanlian Information Technology Engineering Center	5,000,000.00			5,000,000.00
Shenzhen CIU Science & Technology Co., Ltd.	1,153,000.00			1,153,000.00
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	6,000,000.00			6,000,000.00
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	2,400,000.00			2,400,000.00
ChinaAMC - Jiayi Overseas Orientation Programs	203,000,000.00			203,000,000.00
Hunan Vary Science & Technology Co., Ltd.	47,230,000.00			47,230,000.00
Nobel Education Investment Development Co., Ltd.	7,380,000.00			7,380,000.00
Total	**314,098,000.00**			**314,098,000.00**

(Continued)

Investees	Book balance				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increase	Decrease	Period-end		

Investees	Book balance				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increase	Decrease	Period-end		
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	—			—	6.00	
Shenzhen Tianyilian Science & Technology Co., Ltd.	—			—	7.05	
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—			—	13.57	
Shenzhen A Dot TV Co., Ltd.	—			—	9.50	
Feihong Electronics Co., Ltd.	1,300,000.00			1,300,000.00	8.33	
ZAEFI	100,000.00			100,000.00	—	
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00			485,000.00	1.00	
Shanlian Information Technology Engineering Center	1,639,190.80			1,639,190.80	9.62	
Shenzhen CIU Science & Technology Co., Ltd.	200,000.00			200,000.00	11.50	
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	1,273,594.84			1,273,594.84	6.00	
Shanghai National Engineering Research Center of Digital TV Co., Ltd.					4.26	
ChinaAMC - Jiayi Overseas Orientation Programs	—			—	—	1,310,000.00

Investees	Book balance				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increase	Decrease	Period-end		
Hunan Vary Science & Technology Co., Ltd.	—			—	10.04	
Nobel Education Investment Development Co., Ltd.	—			—	14.76	
Total	4,997,785.64			4,997,785.64		1,310,000.00

(4) Changes of the impairment of the available-for-sale financial assets of the Reporting Period

Category of available-for-sale financial assets	Available-for-sale equity instruments
Withdrawn impairment balance at the period-begin	**4,997,785.64**
Withdrawal of the Reporting Period	
Of which: transferred from other comprehensive income	
Decrease of the Reporting Period	
Of which: recovered or reversed from the fair value after the Period	
Withdrawn impairment balance at the period-end	**4,997,785.64**

12. Long-term equity investment

Investees	Opening balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
I. Associated enterprises:						

Investees	Opening balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Shenzhen Refund Optoelectronics Co., Ltd.	44,317,016.67			1,543,310.20		
Enraytek Optoelectronics Co., Ltd.	94,673,758.00			-12,569,174.19		
Shenzhen Konka Energy Technology Co., Ltd.	3,649,728.08					
Shanghai Konka Green Science & Technology Co., Ltd.	68,250,273.03			3,708,640.88	642,894.96	2,689,549.20
Shenzhen Dekang Electronics Co., Ltd.	7,137,424.83		7,137,424.83			
Zhuhai Jinsu Plastic Co., Ltd.	6,452,187.60			331,516.41		
Shenzhen Konka Intelligent Electronic Appliances Co., Ltd.		6,000,000.00		72,558.68		
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.		76,014,057.32		1,783,665.24		
Shenzhen Refund Optoelectronics Co., Ltd.		8,978,922.83		-346,603.11		
Total	**224,480,388.21**	**90,992,980.15**	**7,137,424.83**	**-5,476,085.89**	**642,894.96**	**2,689,549.20**

(Continued)

Investee entity	Increase/ decrease			Closing balance	Closing balance of impairment provision
	Declaration of cash dividend or profits	Withdraw bad debt provision	Other		
Associated enterprises:					
Shenzhen Refund	257,796.60			45,602,530.27	

Optoelectronics Co., Ltd.					
Enraytek Optoelectronics Co., Ltd.				82,104,583.81	30,257,135.84
Shenzhen Konka Energy Technology Co., Ltd.				3,649,728.08	3,649,728.08
Shanghai Konka Green Science & Technology Co., Ltd.				75,291,358.07	
Shenzhen Dekang Electronics Co., Ltd.				0.00	
Zhuhai Jinsu Plastic Co., Ltd.				6,783,704.01	
Shenzhen Konka Intelligent Electronic Appliances Co., Ltd.				6,072,558.68	
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.			2,741,503.37	80,539,225.93	
Shenzhen Refund Optoelectronics Co., Ltd.			1,791,975.00	10,424,294.72	
Total	**257,796.60**	**0.00**	**4,533,478.37**	**310,467,983.57**	**33,906,863.92**

13. Investment property

(1) Investment property calculated by cost

Item	Houses and buildings	Land use right	construction in progress	Total
I. Original book value				
1. Opening balance	249, 923, 047. 75	—	—	249, 923, 047. 75
2. Increased amount of the period		—	—	
3. Decreased amount of the period		—	—	
4. Closing balance	249, 923, 047. 75	—	—	249, 923, 047. 75
II. The accumulative depreciation and accumulative amortization				

Item	Houses and buildings	Land use right	construction in progress	Total
1. Opening balance	22, 204, 869. 22	—	—	22, 204, 869. 22
2. Increased amount of the period	2, 815, 637. 15	—	—	2, 815, 637. 15
(1) withdraw or amortization	2, 815, 637. 15	—	—	2, 815, 637. 15
3. Decreased amount of the period		—	—	
4. Closing balance	25, 020, 506. 37	—	—	25, 020, 506. 37
III. Impairment provision				
1. Opening balance		—	—	
2. Increased amount of the period		—	—	
3. Decreased amount of the period		—	—	
4. Closing balance		—	—	
IV. book value				
1. Closing book value	224, 902, 541. 38	—	—	224, 902, 541. 38
2. Opening book value	227, 718, 178. 53	—	—	227, 718, 178. 53

14. Fixed assets

(1) List of fixed assets

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	合计
I. Original book value						
1. Opening balance	1, 610, 405, 611. 03	995, 990, 722. 42	225, 934, 784. 83	64, 713, 750. 93	209, 487, 021. 91	3, 106, 531, 891. 12
2. Increased amount of the period	572, 440. 92	8, 037, 290. 04	6, 063, 955. 11	1, 741, 382. 64	4, 195, 790. 64	20, 610, 859. 35
(1) Purchase	572, 440. 92	6, 691, 253. 56	6, 063, 955. 11	1, 741, 382. 64	2, 336, 982. 83	17, 406, 015. 06
(2) Transfer of project under construction		1, 346, 036. 48			1, 858, 807. 81	3, 204, 844. 29
3. Decreased amount of the period	41, 407, 136. 07	191, 637, 186. 84	6, 764, 703. 23	9, 779, 367. 00	33, 876, 159. 88	283, 464, 553. 02
(1) Disposal or Scrap	3, 229, 910. 98	22, 283, 529. 30	6, 764, 703. 23	3, 365, 549. 30	4, 348, 849. 15	39, 992, 541. 96
4. Closing balance	38, 177, 225. 09	169, 353, 657. 54	0. 00	6, 413, 817. 70	29, 527, 310. 73	243, 472, 011. 06
II. Accumulated depreciation	1, 569, 570, 915. 88	812, 390, 825. 62	225, 234, 036. 71	56, 675, 766. 57	179, 806, 652. 67	2, 843, 678, 197. 45
1. Opening balance						
2. Increased amount of the period	**365, 828, 714. 85**	**582, 924, 576. 99**	**173, 954, 788. 56**	**45, 962, 359. 91**	**136, 450, 040. 99**	**1, 305, 120, 481. 30**
(1) Withdrawal	18, 427, 796. 98	26, 290, 089. 61	6, 166, 875. 77	2, 192, 069. 89	7, 363, 564. 49	60, 440, 396. 74
3. Decreased amount of	18, 427, 796. 98	26, 290, 089. 61	6, 166, 875. 77	2, 192, 069. 89	7, 363, 564. 49	60, 440, 396. 74

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	合计
the end of period						
(1) Disposal or Scrap	3, 821, 539. 17	121, 325, 430. 68	5, 367, 687. 56	7, 228, 173. 76	23, 499, 490. 13	161, 242, 321. 30
4. Closing balance	1, 180, 936. 50	19, 522, 094. 02	5, 367, 687. 56	2, 786, 250. 57	3, 726, 634. 75	32, 583, 603. 40
III. Impairment provision	2, 640, 602. 67	101, 803, 336. 66	0. 00	4, 441, 923. 19	19, 772, 855. 38	128, 658, 717. 90
1. Opening balance	**380, 434, 972. 66**	**487, 889, 235. 92**	**174, 753, 976. 77**	**40, 926, 256. 04**	**120, 314, 115. 35**	**1, 204, 318, 556. 74**
2. Increased amount of the period						
(1) Withdrawal	2, 006, 749. 30	26, 068, 129. 89	5, 313, 847. 45	963, 345. 92	3, 556, 147. 76	37, 908, 220. 32
3. Decreased amount of the period	0. 00	2, 369, 232. 10	610, 558. 02	26, 444. 19	86, 990. 59	3, 093, 224. 90
4. Closing balance	0. 00	2, 369, 232. 10	610, 558. 02	26, 444. 19	86, 990. 59	3, 093, 224. 90
IV. book value	0. 00	4, 923, 685. 23	411, 118. 58	25, 061. 06	1, 110, 238. 47	6, 470, 103. 34
1. Closing book value	0. 00	2, 302, 401. 38	411, 118. 58	1, 181. 06	473, 852. 66	3, 188, 553. 68
2. Opening book value	0. 00	2, 621, 283. 85	0. 00	23, 880. 00	636, 385. 81	3, 281, 549. 66
I. Original book value	2, 006, 749. 30	23, 513, 676. 76	5, 513, 286. 89	964, 729. 05	2, 532, 899. 88	34, 531, 341. 88
1. Opening balance						
2. Increased amount of the period	**1, 187, 129, 193. 92**	**300, 987, 912. 94**	**44, 966, 773. 05**	**14, 784, 781. 48**	**56, 959, 637. 44**	**1, 604, 828, 298. 83**

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	合计
(1) Purchase	1, 242, 570, 146. 88	386, 998, 015. 54	46, 666, 148. 82	17, 788, 045. 10	69, 480, 833. 16	1, 763, 503, 189. 50

Notes: As of 30 June 2016, there was no fixed asset with restricted ownership in the Company.

(2) List of temporarily idle fixed assets

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
Houses and buildings	0.00	0.00	0.00	0.00	
Mechanical equipments	6, 705, 827. 19	5, 373, 639. 29	718, 159. 24	614, 028. 66	
Vehicles	1, 518, 035. 00	1, 365, 551. 40	87, 259. 60	65, 224. 00	
Electronic equipments	18, 487, 968. 56	17, 046, 250. 13	1, 021, 928. 09	419, 790. 34	
Other equipments	2, 975, 099. 09	2, 687, 379. 80	43, 920. 91	243, 798. 38	
Total	29, 686, 929. 84	26, 472, 820. 62	1, 871, 267. 84	1, 342, 841. 38	

(3) Fixed assets leased in from financing lease

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Mechanical equipments	205,128.20	54,700.85		150,427.35

(4) Fixed assets leased out from operation lease

Item	Closing book value
Houses and buildings	50,806,402.35
Total	**50,806,402.35**

(5) Details of fixed assets failed to accomplish certification of property

Item	Book value	Reason
Yikang building	47, 462, 774. 26	Under processing
Kangsheng Aquatic Club	20, 098, 935. 75	Under processing
Mudangjiang electric appliances main workshop	12, 187, 010. 26	Has not obtained the state-owned land uses card, can not to deal with house property card
Jingyuan office building	12, 652, 117. 97	Under processing
Office building of Pang river street, Big East District, Shenyang	9, 310, 490. 45	Under processing
Kunming office building	5, 371, 127. 14	Under processing
Foshan office building	4, 786, 730. 44	Under processing

15. Construction in progress

(1) List of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Kunshan hotel	153, 397, 313. 49		153, 397, 313. 49	138, 816, 397. 92		138, 816, 397. 92
Kunshan gallery	1, 643, 881. 07		1, 643, 881. 07	1, 643, 881. 07		1, 643, 881. 07
Kunshan Jielunte new factory	0. 00		0. 00	4, 801, 714. 50		4, 801, 714. 50
Wuhan Jielunte factory construction	0. 00		0. 00	31, 032, 889. 26		31, 032, 889. 26
Canteen project of the Tongchuang Industrial Park	4, 354, 583. 11		4, 354, 583. 11	4, 035, 058. 76		4, 035, 058. 76
Chuzhou Jielunte Phase I workshop	0. 00		0. 00	9, 613, 833. 54		9, 613, 833. 54

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
establishment						
Other small projects	14, 444, 515. 40		14, 444, 515. 40	17, 910, 405. 83		17, 910, 405. 83
Total	**173, 840, 293. 07**		**173, 840, 293. 07**	**207, 854, 180. 88**		**207, 854, 180. 88**

(2) Changes of significant construction in progress

Name o f item	Estimated number	Opening balance	Increase Amount	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance
Kunshan hotel	441, 600, 000. 00	138, 816, 397. 92	14, 580, 915. 57			153, 397, 313. 49
Kunshan gallery	26, 320, 000. 00	1, 643, 881. 07				1, 643, 881. 07
Kunshan Jielunte new factory	37, 992, 500. 00	4, 801, 714. 50			4, 801, 714. 50	0. 00
Wuhan Jielunte factory construction	40, 000, 000. 00	31, 032, 889. 26			31, 032, 889. 26	0. 00
Canteen project of the Tongchuang Industrial Park	4, 186, 655. 78	4, 035, 058. 76	319, 524. 35			4, 354, 583. 11
Chouzhou Jielute factory phase I construction		9, 613, 833. 54			9, 613, 833. 54	0. 00
Other small projects		17, 910, 405. 83	3, 808, 608. 68	3, 204, 844. 29	4, 069, 654. 82	14, 444, 515. 40
Total	**550, 099, 155. 78**	**207, 854, 180. 88**	**18, 709, 048. 60**	**3, 204, 844. 29**	**49, 518, 092. 12**	**173, 840, 293. 07**

(Continued)

Project name	Proportion estimated of the project accumulative input	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
Kunshan hotel	51.00	70.00	832,313.28	22,148.12	0.71	Loans to financial institutions and self-owned fund
Kunshan gallery	6.25	6.25	—	—	—	Self-owned fund
Canteen project of the Tongchuang Industrial Park	97.00	90	—	—	—	Self-owned fund

Notes: other decrease in construction in progress was mainly the Group purchased soft ware transferred into intangible assets and the subsidiary included into consolidation which lead to the decrease in construction in progress.

16. Intangible assets

(1) List of intangible assets

Item	Land use right	Patent right	Trademark registration expense	Others	Total
I. Original book value					
1.Opening balance	366, 197, 934. 11	40, 171, 004. 84	3, 519, 159. 61	47, 885, 989. 61	457, 774, 088. 17
2. Increased amount of the period	0. 00	0. 00	0. 00	2, 751, 978. 76	2, 751, 978. 76
(1) Purchase	0. 00	0. 00	0. 00	1, 888, 846. 27	1, 888, 846. 27
(2) Transfer of project under construction				863, 132. 49	863, 132. 49
3.Decreased amount of the period	49, 200, 800. 00	0. 00	0. 00	147, 863. 25	49, 348, 663. 25
(1) Disposal					

Item	Land use right	Patent right	Trademark registration expense	Others	Total
(2) Other decrease	49, 200, 800. 00			147, 863. 25	49, 348, 663. 25
4.Closing balance	316, 997, 134. 11	40, 171, 004. 84	3, 519, 159. 61	50, 490, 105. 12	411, 177, 403. 68
II. Accumulated amortization					
1.Opening balance	48, 719, 074. 90	32, 955, 386. 83	3, 400, 022. 14	17, 206, 634. 21	102, 281, 118. 08
2. Increased amount of the period	3, 677, 407. 78	411, 907. 98	12, 192. 96	2, 123, 546. 95	6, 225, 055. 67
(1) Withdrawal	3, 677, 407. 78	411, 907. 98	12, 192. 96	2, 123, 546. 95	6, 225, 055. 67
3.Decreased amount of the period	2, 702, 518. 67	0. 00	0. 00	61, 609. 69	2, 764, 128. 36
(1) Disposal					0. 00
(2) Other decrease	2, 702, 518. 67	0. 00	0. 00	61, 609. 69	2, 764, 128. 36
4.Closing balance	49, 693, 964. 01	33, 367, 294. 81	3, 412, 215. 10	19, 268, 571. 47	105, 742, 045. 39
III. Depreciation reserves					
1.Opening balance		2, 901, 082. 61			2, 901, 082. 61
2. Increased amount of the period					
(1) Withdrawal					
3.Decreased amount of the period					

Item	Land use right	Patent right	Trademark registration expense	Others	Total
(1) Disposal					
4.Closing balance	0. 00	2, 901, 082. 61	0. 00	0. 00	2, 901, 082. 61
IV. Book value					
1. Closing book value	267, 303, 170. 10	3, 902, 627. 42	106, 944. 51	31, 221, 533. 65	302, 534, 275. 68
2. Opening book value	317, 478, 859. 21	4, 314, 535. 40	119, 137. 47	30, 679, 355. 40	352, 591, 887. 48

(2) Details of fixed assets failed to accomplish certification of land use right

Item	Book value	Reason
Mudangjiang electric appliances etc.	3,153,608.13	Left over by history

17. Goodwill

(1) Original book value of goodwill

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
		Formed from the business combination	Others	Dispose	Others	
Anhui Konka	3,597,657.15					3,597,657.15
Total	**3,597,657.15**					**3,597,657.15**

(2) The method of impairment test and impairment provision, see note 19, IV.

As of 30 June 2016, there was no book value of goodwill higher than recoverable amount.

18. Long-term unamortized expenses

Item	Opening balance	Increased amount	Amortization amount	Decrease	Closing balance
Renovation costs	25, 781, 274. 74	2, 545, 520. 04	4, 556, 622. 98		23, 770, 171. 80
Advertising expense	33, 132, 182. 48	18, 510, 350. 51	12, 768, 532. 00		38, 874, 000. 99
Others	23, 933, 524. 85	7, 097, 709. 88	10, 266, 069. 42	2, 101, 001. 05	18, 664, 164. 26

Item	Opening balance	Increased amount	Amortization amount	Decrease	Closing balance
Total	82, 846, 982. 07	28, 153, 580. 43	27, 591, 224. 40	2, 101, 001. 05	81, 308, 337. 05

19. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets had not been off-set

Item	Closing balance		Opening balance	
	Deductible temporary Differences	Deferred income tax assets	Deductible temporary Differences	Deferred income tax assets
Assets impairment provision	658, 503, 561. 40	164, 269, 975. 23	682, 074, 474. 66	160, 938, 084. 03
Unrealized internal sales gain and loss	84, 832, 959. 88	21, 208, 239. 97	75, 656, 622. 48	18, 914, 155. 62
Accrued expenses	106, 052, 076. 00	26, 513, 018. 99	114, 093, 986. 59	28, 165, 776. 55
Deferred income	94, 976, 438. 73	22, 863, 412. 18	98, 649, 185. 43	23, 704, 256. 37
Deductible losses	1, 351, 771, 709. 27	328, 452, 764. 20	1, 223, 305, 795. 11	295, 093, 235. 44
Others	89, 960, 000. 00	22, 490, 000. 00	89, 960, 000. 00	22, 490, 000. 00
Total	2, 386, 096, 745. 28	585, 797, 410. 57	2, 283, 740, 064. 27	549, 305, 508. 01

(2) Lists of deferred income tax liabilities had not been off-set

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Accelerated depreciation of fixed assets	5, 560, 377. 47	834, 056. 62	10, 219, 095. 65	1, 532, 864. 34
Change of fair value of trading financial assets	14, 854, 678. 40	3, 713, 669. 60	7, 184, 035. 28	1, 796, 008. 82
Change in fair value of available-for-sale financial assets	554, 135. 20	138, 533. 80	556, 635. 24	139, 158. 81
Total	20, 969, 191. 07	4, 686, 260. 02	17, 959, 766. 17	3, 468, 031. 97

(3) List of unrecognized deferred income tax assets

Item	Closing balance	Opening balance

Deductible temporary difference	272, 755, 117. 19	385, 065, 293. 90
Deductible losses	1, 024, 887, 783. 81	1, 162, 480, 889. 15
Total	**1, 297, 642, 901. 00**	**1, 547, 546, 183. 05**

20. Assets impairment provision

Item	Opening balance	Withdrawn impairment balance at the period-begin	Decreased		Closing balance
			Reverse	Write-off	
I.Bad debt provision	537, 676, 181. 03	10, 464, 173. 14	2, 309, 734. 00	305, 526. 84	545, 525, 093. 33
II.Impairment of inventories	307, 657, 449. 40	37, 746, 644. 48	9, 739, 743. 18	109, 799, 383. 21	225, 864, 967. 49
III. Impairment provision of the available-for-sale financial assets	4, 997, 785. 64	0. 00	0. 00	0. 00	4, 997, 785. 64
IV. Impairment provision of the fixed assets	37, 908, 220. 32	3, 093, 224. 90	0. 00	6, 470, 103. 34	34, 531, 341. 88
V. Impairment provision of the intangible assets	2, 901, 082. 61	0. 00	0. 00	0. 00	2, 901, 082. 61
VI.Long-term equity investment	33, 906, 863. 92	0. 00	0. 00	0. 00	33, 906, 863. 92
Total	**925, 047, 582. 92**	**51, 304, 042. 52**	**12, 049, 477. 18**	**116, 575, 013. 39**	**847, 727, 134. 87**

21. Short-term loans

Item	Closing balance	Opening balance
Pledge loan	—	—
Mortgage loan	—	—
Guaranteed loan	419, 999, 196. 46	1, 196, 103, 036. 53
Credit loan	4, 168, 543, 553. 47	2, 954, 670, 159. 23

Item	Closing balance	Opening balance
Total	4, 588, 542, 749. 93	4, 150, 773, 195. 76

22. Financial liabilities measured by fair value and the changes included in the current gains and losses

Category	Closing balance	Opening balance
Loss from forward foreign exchange purchase agreement	607,587.55	—
Total	607,587.55	—

23. Notes payable

Category	Closing balance	Opening balance
Trade acceptance	48, 361, 251. 67	—
Bank acceptance bill	1, 527, 934, 426. 18	929, 176, 857. 06
Total	1, 576, 295, 677. 85	929, 176, 857. 06

Notes: RMB1, 576,295,677.85 will be due in next fiscal period.

24. Accounts payable

(1) List of accounts payable

Item	Closing balance	Opening balance
Within 1 year	2, 360, 999, 061. 37	2, 806, 965, 708. 04
1 to 2 years	13, 990, 163. 23	126, 958, 011. 57
2 to 3 years	5, 015, 300. 39	28, 320, 658. 56
Over 3 years	17, 680, 462. 38	18, 172, 605. 08
Total	2, 397, 684, 987. 37	2, 980, 416, 983. 25

(2) Notes of the accounts payable aging over one year

Item	Closing balance	Unpaid/ Un-carry-over reason
Interior decoration	13, 804, 404. 30	Unsettled
Exterior components	7, 382, 037. 13	Unsettled
Building projects	2, 902, 005. 96	Unsettled
Project supervision fee	165, 100. 00	Unsettled
Total	24, 253, 547. 39	

25. Advance from customers

(1) List of advance from customers

Item	Closing balance	Opening balance
Within 1 year	1, 072, 688, 078. 30	308, 012, 574. 61
1 to 2 years	5, 638, 818. 04	21, 697, 745. 80
2 to 3 years	3, 306, 278. 78	5, 825, 837. 33
Over 3 years	14, 047, 310. 85	14, 248, 649. 58
Total	1, 095, 680, 485. 97	349, 784, 807. 32

(2) Significant large advance from customers aging over one year was prepayment of goods undelivered.

(3) Advance receipts of houses

Item	Closing balance	Opening balance
Shuiyue Zhouzhuang Project (Phase I Residence)	10, 484, 937. 91	15, 387, 876. 00
Shuiyue Zhouzhuang Project (Phase II Residence)	17, 901, 195. 00	8, 542, 534. 36
Shuiyue Zhouzhuang Project (Phase II Residence)	409, 326, 563. 00	
Total	437, 712, 695. 91	23, 930, 410. 36

26. Payroll payable

(1) List of Payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	271, 481, 205. 46	715, 631, 869. 44	775, 231, 391. 90	211, 881, 683. 00
II. Post-employment benefit-defined contribution plans	2, 458, 579. 25	44, 893, 412. 31	45, 273, 252. 35	2, 078, 739. 21
III. Termination benefits	5, 691, 474. 00	12, 948, 581. 93	16, 794, 718. 18	1, 845, 337. 75
IV. Other benefits due within one year				

Item	Opening balance	Increase	Decrease	Closing balance
Total	279,631,258.71	773,473,863.68	837,299,362.43	215,805,759.96

(2) List of Short-term salary

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	262,158,525.22	624,077,722.15	689,588,960.81	196,647,286.56
2. Employee welfare	1,257,181.26	36,282,142.15	31,903,893.20	5,635,430.21
3. Social insurance	1,937,335.09	29,872,761.54	29,761,625.64	2,048,470.99
Of which: 1. Medical insurance premiums	1,392,834.34	26,399,176.29	26,627,479.69	1,164,530.94
Work-related injury insurance	102,543.07	1,902,561.50	1,849,179.99	155,924.58
Maternity insurance	441,957.68	1,571,023.75	1,284,965.96	728,015.47
4. Housing fund	1,496,698.09	11,418,247.41	11,180,923.29	1,734,022.21
5. Labor union budget and employee education budget	4,219,899.55	5,257,636.29	3,957,174.40	5,520,361.44
6.Short-term absence with payment				
7. Short-term profit sharing plan				
8. Other	411,566.25	8,723,359.90	8,838,814.56	296,111.59
Total	271,481,205.46	715,631,869.44	775,231,391.90	211,881,683.00

(3) List of drawing scheme

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits	2,129,581.26	42,852,257.69	43,099,966.98	1,881,871.97
2. Unemployment insurance	328,997.99	2,041,154.62	2,173,285.37	196,867.24
Annuity	—	—	—	—
Total	2,458,579.25	44,893,412.31	45,273,252.35	2,078,739.21

The Company, in line with the requirement, participate the endowment insurance, unemployment insurance scheme and so on, according to the scheme, the Company monthly pay to the scheme in line with requirements of local government, except the monthly payment, the Company no longer shoulder the further payment obligation, the relevant expense occurred was recorded into current profits and losses or related assets costs.

27. Taxes payable

Item	Closing balance	Opening balance
VAT	13, 187, 834. 99	13, 316, 492. 43
Corporate income tax	34, 419, 298. 07	15, 106, 336. 81
Business tax	604, 659. 91	2, 049, 531. 99
Urban maintenance and construction tax	926, 888. 59	1, 392, 874. 16
Personal income tax	3, 165, 661. 37	5, 468, 489. 97
Education Surcharge	665, 249. 28	939, 576. 85
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	1, 669, 684. 28	1, 286, 346. 53
Fund for disposing abandoned appliances and electronic products	18, 756, 724. 00	19, 694, 608. 00
Others	20, 792, 827. 85	32, 843, 695. 16
Total	**94, 188, 828. 34**	**92, 097, 951. 90**

28. Interest payable

Item	Closing balance	Opening balance
Loan interests	17,321,232.74	20,552,763.14
Total	**17,321,232.74**	**20,552,763.14**

29. Other accounts payable

(1) Other accounts payable listed by nature of the account

Item	Closing balance	Opening balance
Accrued expenses	1, 004, 542, 796. 08	958, 366, 586. 73
Margin	177, 467, 442. 82	228, 909, 206. 83
Intercourse funds	185, 646, 026. 99	172, 797, 449. 90
Payment on behalf	5, 602, 917. 51	10, 769, 352. 74
Others	160, 902, 729. 52	180, 088, 977. 15
Total	**1, 534, 161, 912. 92**	**1, 550, 931, 573. 35**

(2) Other significant accounts payable with aging over one year

Item	Closing balance	Unpaid/ Un-carry-over reason
Shanghai Shensy Logistics Co., Ltd.	3, 800, 000. 00	Margin
Ningbo Huacai Electric Appliance Co., Ltd.	3, 031, 041. 94	Guarantee money of operation
Shanghai Yongxin Color CRT Ltd. Co., Ltd.	2, 075, 485. 15	Margin
Shanghai Henry Da International Logistics Co., Ltd.	2, 000, 000. 00	Margin
Total	**10, 906, 527. 09**	

30. Non-current liabilities due within 1 year

Item	Closing balance	Opening balance
Long-term loans due within 1 year(Note: 30)	198, 736, 959. 18	573, 341, 856. 11
Long-term loans due within 1 year(Note: 31)	41, 025. 60	57, 103. 54
Total	198, 777, 984. 78	573, 398, 959. 65

31. Long-term loan

Item	Closing balance	Opening balance
Mortgage loan		63, 776, 957. 13
Guaranteed loan		23, 700, 000. 00
Credit loan	198, 736, 959. 18	509, 564, 898. 98
Less: long-term loans due within 1 year(Note: 29)	198, 736, 959. 18	573, 341, 856. 11
Total	—	23, 700, 000. 00

32. Long-term payable

Item	Closing balance	Opening balance
Chuzhou Tongchuang Jianshe Investment Co., Ltd.	30, 000, 000. 00	30, 000, 000. 00
Accrued financial lease outlay	164, 102. 56	190, 436. 91
Less: Expired part due within 1 year (Notes: 29)	41, 025. 60	57, 103. 54
Total	30, 123, 076. 96	30, 133, 333. 37

33. Long-term payroll payable

(1) List of long term payroll payable

Item	Closing balance	Opening balance

Item	Closing balance	Opening balance
I. Termination benefits-net liabilities of defined contribution plans	20, 652, 314. 24	23, 435, 856. 86
II. Termination benefits	—	—
III. Other long term welfare	—	—
Total	**20, 652, 314. 24**	**23, 435, 856. 86**

(2) Changes of defined benefit plans

① Present worth of defined benefit plans obligation:

Item	Reporting Period	Same period of last year
I. Opening balance	23, 435, 856. 86	28, 554, 734. 16
II. Defined benefit cost recorded into current profits and losses		—
1. Current service cost		—
2. Previous service cost		—
3. Settlement gains (loss "－")		—
4. Net interest		—
III.Other changes		5, 118, 877. 30
1. Consideration of settlement of payment		—
2.Welfare had paid	2, 783, 542. 62	5, 118, 877. 30
III. Closing balance	**20, 652, 314. 24**	**23, 435, 856. 86**

② Notes to the influence of the content and related risk of defined benefit plans to the future cash flows, time and uncertainty of the Company:

Due to upgrading and reconstruction of current work sites of the subsidiary, communication technology, it is to adjust the labor relations according to Implementation Measures for Accompanying Employees in manufacturing system of Shenzhen Konka Communication Technology Co., Ltd on the premise to balance the Company's and employees' benefits and voluntary selection, Communication Technology provides early retirement plans for senior employees (employed before December 31, 1990 and signed non-fixed term labor contract with the Company or Communication Technology). Content of the plans includes:

1. Until March 31, 2014, the internal retire employee in line with the time length to

mandatory age for retirement, which are classified as three classes, conducted relevant standard of retirement pensions.

2. Internal early retirement pensions include social insurance and housing provident funds borne by individuals. The age is subject to that recorded in personnel archives.

3. Seniority subsidies for internal early retirement are classified as four classes in line with the time length of working age, of which, working age is calculated on an annualized basis.

4. Voluntary early retirement should be applied by individuals and approved by the leaders of Communication Technology and the Group. During the period of early retirement, management of the employees is responsible by the Company.

The accumulative compensation paid to the internal early retirement pensions in future year is RMB34,931,714.55, the Company in line with Agreement of Internal Early Retirement Pension, in line with the standard of salary remaining the same, turnover rate of 0, the mortality rate of, fix standard of social security base payment remaining the same to test the present worth of defined benefit plans. The actual payment for the employee is influence by the actual turnover rate, death rate and the changes of minimum cardinality of social security.

③ Notes to analysis results of actuarial assumptions and sensibility of defined benefit plans

Major assumptions estimated	Period-end of Reporting Period	Period-end of last period
Discount rate	Treasury bond rate in same period	—
Death rate	0%	—
Expected life expectancy	Over legal emeritus age	—
Expected compensation growth rate	0%	—

34. Estimated liabilities

Item	Opening balance	Closing balance	Formed reason
Pending litigation	4,629,554.61	4,711,597.59	Litigation
Total	**4,629,554.61**	**4,711,597.59**	

35. Deferred revenue

Item	Opening balance	Increase	Decrease	Closing balance	Formed reason
Government subsidies	162, 786, 004. 20	7, 880, 000. 00	26, 021, 479. 61	144, 644, 524. 59	Amortization
Total	**162, 786, 004. 20**	**7, 880, 000. 00**	**26, 021, 479. 61**	**144, 644, 524. 59**	

Of which, items involved in government subsidies:

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Subsidies for equipment engineering and technology	14,040,000.00		1,755,000.00		12,285,000.00	Related to the assets
Smart TV industry chain of Konka Group Co., Ltd.	12,800,000.00				12,800,000.00	Related to the assets
Compensation for infrastructure construction of Jielunte	11,550,000.00			11,550,000.00	0.00	Related to the assets
Supporting the next generation Internet intelligent terminal system research projects	7,908,737.85				7,908,737.85	Related to the assets
Fund for flat panel display industry in year 2008	4,499,999.90		1,000,000.02		3,499,999.88	Related to the assets
R&D of mating core chip based on the terminal of AVS/DRA	5,620,000.00				5,620,000.00	Related to the assets
R&D and industrialization of new-type smart television with man-machine interaction	5,256,893.21				5,256,893.21	Related to the assets
Key technology and industrialization of LED Backlight of flat TV set	3,750,000.05		499,999.98		3,250,000.07	Related to the assets
Industrialization project of large size liquid crystal display module (LCM)	2,000,000.00		1,200,000.00		800,000.00	Related to the assets

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Special Fund of Strategic Emerging Industry of Dongguan Financial Bureau	3,600,000.00		300,000.00		3,300,000.00	Related to the assets
R&D and industrialization of large size liquid crystal display module	1,200,000.00		1,200,000.00		0.00	Related to the assets
Funds for provincial scientific and technological innovation and special guidance of achievements transfer of 2010	2,478,260.88		260,869.56		2,217,391.32	Related to the assets
Special fund for 2010-2012 provincial finance industrial technology	2,556,666.66		210,000.04		2,346,666.62	Related to the assets
R&D and industrialization of integrated DTMB	1,229,999.85		820,000.02		409,999.83	Related to the assets
Government grant for Qianhai Project	2,800,000.00				2,800,000.00	Related to the assets
Machine module integration subsidy	2,475,000.00		150,000.00		2,325,000.00	Related to the assets
Supporting the research and development and industrialization of synergy internet-connected digital products	2,600,000.00				2,600,000.00	Related to the assets
TV application oriented and embedded operating system development	2,470,000.00				2,470,000.00	Related to the assets

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Industrialization technological transformation of large precise multi-color injection mold based on green Manufacturing	1,909,920.93			1,909,920.93	0.00	Related to the assets
Research instruments subsidies	1,648,133.29		210,400.02		1,437,733.27	Related to the assets
R&D and industrialization of new-type terminal application service system of internet	1,450,000.00		300,000.00		1,150,000.00	Related to the assets
Research and development and industrialization of Dual channel new 3 D smart TV	2,030,000.00		0.00		2,030,000.00	Related to the assets
Supporting triple play smart TV and system support platform	1,866,666.68		199,999.98		1,666,666.70	Related to the assets
Shenzhen Finance Committee Konka Group Smart TV Industry Project	8,170,000.00				8,170,000.00	Related to the assets
Konka next generation multimedia terminal technology engineering laboratory project	5,000,000.00				5,000,000.00	Related to the assets
Special fund for Scientifically Create Committee technology PR project	4,500,000.00				4,500,000.00	Related to the assets

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Mobile intelligent terminal new application service system	4,000,000.00				4,000,000.00	Related to the assets
Economic, trade and information commission, 2015 Shenzhen Industrial Design Center subsidy	3,000,000.00				3,000,000.00	Related to the assets
Deferred income-mobile intelligent terminal information security system key	2,400,000.00				2,400,000.00	Related to the assets
Lean manufacturing execution system comprehensive integrated innovation projects	2,000,000.00				2,000,000.00	Related to the assets
Others	27,511,134.19	7,880,000.00	2,616,302.02		32,774,832.17	Related to the assets
Subtotal	**154,321,413.49**	**7,880,000.00**	**10,722,571.64**	**13,459,920.93**	**138,018,920.92**	
Others	8,464,590.71		1,334,794.80	504,192.24	6,625,603.67	Related to the income
Subtotal	**8,464,590.71**		**1,334,794.80**	**504,192.24**	**6,625,603.67**	
Total	**162,786,004.20**	**7,880,000.00**	**12,057,366.44**	**13,964,113.17**	**144,644,524.59**	

36. Share capital

Item	Opening balance	Increase/decrease in Reporting Period (+,-)	Closing balance

		Issuing new shares	Bonus shares	Capitalization of public reserves	Others	Subtotal	
The sum of shares	2,407,945,408.00	—	—	—	—	—	2,407,945,408.00

37. Capital surplus

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	7,393,378.55			7,393,378.55
Other capital reserves	70,816,156.64	2,689,549.20		73,505,705.84
Total	**78,209,535.19**	**2,689,549.20**		**80,899,084.39**

38. Other comprehensive income

Item	Opening balance	Reporting Period					Closing balance
		Amount before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income can not be reclassified into profits and losses in future	—						
II. Other comprehensive reclassified into profits or losses	—						
Of which: other comprehensive income as per equity method recognized into profit and loss in future	—						
Profits or losses of change in fair value of available-for-sale financial assets	1,444,788.01	-2,500.00		-625.00	-1,875.00		1,442,913.01
Converted difference of the foreign currency	1,710,955.99	-15,438,349.77			-15,156,763.24	-281,586.53	-13,445,807.25

Item	Opening balance	Reporting Period					Closing balance
		Amount before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to minority shareholders after tax	
financial statement							
Total	**3,155,744.00**	**-15,440,849.77**		**-625.00**	**-15,158,638.24**	**-281,586.53**	**-12,002,894.24**

Notes: Corresponding other comprehensive of opening balance, closing balance in relevant balance sheet. Closing balance + comprehensive income AT attributable to the parent company = closing balance. Amount in Reporting Period and corresponding other comprehensive in income statement, Amount before tax in Reporting Period-recorded into other comprehensive income in previous period transferred into current profits or losses - income tax expense = other comprehensive income AT attributable to the parent company + other comprehensive income AT attributable to minority shareholder.

39. Surplus reserves

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	593,846,200.71	—	—	593,846,200.71
Discretionary surplus reserves	254,062,265.57	—	—	254,062,265.57
Total	**847,908,466.28**	—	—	**847,908,466.28**

Notes: Based on the regulations of the Corporation Law and Constitution, the Company should withdraw 10% of the statutory surplus reserves according to the net profits. If the accumulated amount of the statutory surplus reserves exceeded the 50% of the registered capital, the Company could no more withdraw.

The Company, after withdraw statutory surplus reserves, can withdraw discretional surplus reserves, in line with the approval, the discretional surplus reserves can be used for making up losses in previous year or increase share capital

40. Retained profits

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	-522,836,282.66	746,022,758.89
Total opening balance of retained profits before adjustments (Increase+, decrease-)	—	—
Opening balance of retained profits after adjustments	-522,836,282.66	746,022,758.89
Add: Net profit attributable to owners of the Company	12,834,736.76	-1,256,819,314.51
Less: Withdrawal of statutory surplus reserves	—	—
Withdrawal of discretional surplus reserves	—	—
Dividend of common stock payable	—	12,039,727.04
Dividend of common stock transfer into share capital	—	—
Closing retained profits	**-510,001,545.90**	**-522,836,282.66**

Notes: on 6 April 2016, the Company held 13th Meeting of the 8th Board of Directors; the meeting reviewed and approved the proposal of not implementing the allocation of profits.

41. Revenue and Cost of Sales

(1) Revenue and Cost of Sales

Item	Reporting Period	Same period of last year

	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	7, 724, 414, 205. 37	6, 397, 747, 058. 44	8, 246, 299, 638. 18	7, 161, 672, 404. 62
Other operations	884, 666, 616. 87	779, 978, 033. 98	698, 259, 282. 78	629, 543, 395. 95
Total	**8, 609, 080, 822. 24**	**7, 177, 725, 092. 42**	**8, 944, 558, 920. 96**	**7, 791, 215, 800. 57**

(2) Main operations (Classified by product)

Product	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Color TV business	5, 367, 972, 378. 49	4, 468, 618, 453. 12	5, 839, 273, 101. 30	4, 998, 980, 729. 53
Mobile phone business	471, 731, 609. 94	415, 431, 430. 93	405, 882, 081. 01	394, 112, 904. 23
Consumer appliances business	829, 752, 654. 59	648, 051, 838. 45	828, 393, 555. 30	650, 002, 713. 45
Others	1, 054, 957, 562. 35	865, 645, 335. 94	1, 172, 750, 900. 57	1, 118, 576, 057. 41
Total	**7, 724, 414, 205. 37**	**6, 397, 747, 058. 44**	**8, 246, 299, 638. 18**	**7, 161, 672, 404. 62**

(3) Main operations (Classified by area)

Area	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	5, 176, 447, 693. 40	4, 024, 605, 977. 81	4, 807, 213, 043. 19	3, 897, 064, 692. 75
Overseas sales	2, 547, 966, 511. 97	2, 373, 141, 080. 63	3, 439, 086, 594. 99	3, 264, 607, 711. 87
Total	**7, 724, 414, 205. 37**	**6, 397, 747, 058. 44**	**8, 246, 299, 638. 18**	**7, 161, 672, 404. 62**

(4) The revenue of sales from the top five customers

Period	Main operation revenue	Proportion of total business revenue (%)
January-June 2016	1, 776, 976, 457. 55	20. 64
January-June 2015	1, 682, 516, 602. 23	18. 81

42. Business tax and surcharges

Item	Reporting Period	Same period of last year
Business tax	13, 191, 515. 48	5, 496, 133. 92
Urban maintenance and construction tax	20, 776, 311. 03	12, 849, 394. 39

Item	Reporting Period	Same period of last year
Education Surcharge	9, 430, 266. 44	6, 391, 442. 89
Local education surtax	6, 021, 776. 47	3, 641, 622. 06
Others	6, 730, 072. 12	331, 413. 41
Total	**56, 149, 941. 54**	**28, 710, 006. 67**

Notes: the measurement standards of business tax and surcharges see Notes V. Tax

43. Sales expenses

Item	Reporting Period	Same period of last year
Promotional activities	372, 587, 893. 03	332, 857, 088. 15
Warranty fee	167, 856, 546. 55	174, 049, 619. 44
Logistic Fee	154, 776, 709. 59	168, 134, 586. 26
Salary	157, 536, 220. 65	155, 114, 369. 05
Advertising expense	91, 273, 551. 74	119, 606, 305. 71
Social security charges	21, 910, 951. 20	20, 877, 888. 67
Business travel charges	17, 770, 918. 55	18, 327, 672. 91
Rental charges	15, 085, 828. 42	14, 363, 429. 92
Business entertainment expense	11, 450, 052. 22	13, 263, 180. 79
Exhibition fee	6, 719, 144. 35	11, 618, 648. 04
Others	92, 179, 107. 31	96, 476, 161. 41
Total	**1, 109, 146, 923. 61**	**1, 124, 688, 950. 35**

44. Administrative expenses

Item	Reporting Period	Same period of last year
R&D expenses	88, 336, 972. 44	104, 617, 216. 07
Salary	73, 525, 422. 30	67, 908, 610. 15
Depreciation charge	16, 536, 843. 42	18, 202, 729. 34
Taxes and fund	17, 286, 987. 83	17, 552, 634. 06
Social security charges	11, 042, 691. 24	10, 056, 569. 85
Business entertainment expense	7, 228, 540. 05	8, 726, 615. 59
Employee welfare	6, 728, 436. 24	8, 059, 767. 37
Consulting fees	3, 993, 681. 74	5, 633, 366. 65
Business travel charges	4, 382, 095. 57	5, 429, 742. 03
Labor-union expenditure	3, 969, 760. 83	4, 966, 713. 86
Others	57, 887, 858. 36	41, 084, 938. 74

Item	Reporting Period	Same period of last year
Total	290, 919, 290. 02	292, 238, 903. 71

45. Financial expenses

Item	Reporting Period	Same period of last year
Interest expenses	115, 905, 577. 29	82, 012, 379. 10
Less: Interest income	47, 941, 503. 94	25, 280, 539. 71
Exchange gains and losses	-223, 594. 54	39, 133, 044. 16
Others	632, 953. 19	3, 202, 027. 62
Total	68, 373, 432. 00	99, 066, 911. 17

46. Asset impairment loss

Item	Reporting Period	Same period of last year
Bad debt loss	8, 154, 439. 14	22, 299, 365. 88
Inventory falling price loss	28, 006, 901. 30	12, 818, 060. 85
Fixed assets impairment losses	3, 093, 224. 90	2, 627, 026. 18
Total	39, 254, 565. 34	37, 744, 452. 91

47. Gains and losses from changes in fair value

Sources	Reporting Period	Last period
Financial assets/liabilities measured by fair value and the changes be included in the current profits and losses	-18, 141, 655. 39	—
Of which, gains on the changes in the fair value of derivative financial instruments	-18, 141, 655. 39	—
Total	-18, 141, 655. 39	—

48. Investment income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	-7, 531, 575. 68	-5, 017, 326. 85
Dividend or profits measured by cost method declare to distribute by investment entity	1, 310, 000. 00	
Investment income arising from disposal of long-term equity investments	3, 030, 280. 93	—
Investment income received from holding of available-for-sale	0. 00	2, 153, 880. 21

Item	Reporting Period	Same period of last year
financial assets		
Investment income received from disposal of available-for-sale financial assets	44, 703. 62	
Equity investment income after losing control	4, 510, 212. 49	
Income from trust management	9, 222, 760. 26	10, 048, 900. 77
Total	**10, 586, 381. 62**	**7, 185, 454. 13**

49. Non-operating gains

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	3, 147, 161. 67	140, 774. 90	3, 147, 161. 67
Including: Gains from disposal of fixed assets	3, 147, 161. 67	140, 774. 90	3, 147, 161. 67
Gains from disposal of intangible assets	—	—	—
Government grants (Details, see the statement below, lists of government subsidies)	136, 544, 386. 15	61, 900, 356. 24	51, 949, 430. 12
Income from compensation	7, 639, 245. 00	3, 598, 283. 81	7, 639, 245. 00
Penalty income	2, 148, 787. 76	2, 879, 986. 02	2, 148, 787. 76
Others	4, 708, 082. 06	903, 762. 58	4, 708, 082. 06
Total	**154, 187, 662. 64**	**69, 423, 163. 55**	**69, 592, 706. 61**

Of which, government subsidies recorded into current profits and losses

Item	Reporting Period	Same period of last year	Related to the assets/ income
Transfer of deferred income	12, 057, 366. 44	12, 944, 347. 31	See note VI. 35
Software tax returns	84, 594, 956. 03	34, 130, 823. 15	Related to the income
Government financing	29, 076, 900. 00	8, 000, 000. 00	Related to the income
Others	10, 815, 163. 68	6, 825, 185. 78	Related to the income
Total	**136, 544, 386. 15**	**61, 900, 356. 24**	

50. Non-operating expenses

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	617, 565. 57	1, 333, 624. 80	617, 565. 57
Including: Loss on disposal of fixed assets	617, 565. 57	1, 333, 624. 80	617, 565. 57
Losses from disposal of intangible assets	—	—	—
Compensation expenses	—	—	—
Penalty expenses	1, 344, 333. 27	517, 570. 40	1, 344, 333. 27
External donation expenses	28, 000. 00	36, 000. 00	28, 000. 00
Others	1, 541, 119. 52	1, 335, 108. 95	1, 541, 119. 52
Total	**3, 531, 018. 36**	**3, 222, 304. 15**	**3, 531, 018. 36**

51. Income tax expense

(1) Lists of income tax expense

Item	Reporting Period	Same period of last year
Current income tax expense	41, 114, 706. 11	3, 363, 107. 56
Deferred income tax expense	-40, 408, 709. 01	-54, 464, 726. 76
Total	**705, 997. 10**	**-51, 101, 619. 20**

(2) Adjustment process of accounting profit and income tax expense

Item	Reporting Period
Total profits	10, 612, 947. 82
Current income tax expense accounted by tax and relevant regulations	2, 653, 236. 96
Influence of different tax rate suitable to subsidiary	1, 286, 213. 23
Influence of income tax before adjustment	-123, 517. 89
Influence of non taxable income	—
Influence of not deductable costs, expenses and losses	1, 041, 166. 19
Influence of deductable losses of deferred income tax assets derecognized used in previous period	-15, 884, 776. 73
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	11, 733, 675. 34
Changes of the balance of deferred income tax assets/ liabilities in previous	—

period due to adjustment of tax rate	
Influence of plus deducting costs	—
Income tax expense	**705, 997. 10**

52. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities:

Item	Reporting Period	Same period of last year
Income from government subsidy	43, 649, 169. 82	63, 116, 201. 19
Current accounts and other	154, 798, 397. 77	50, 806, 977. 96
Interest income from bank deposits	23, 481, 811. 90	25, 280, 539. 71
Bargain money and deposit	33, 299, 181. 92	17, 710, 940. 97
Income from waste	6, 679, 741. 15	7, 399, 974. 01
Repayment of individual borrowing	2, 937, 490. 67	4, 012, 389. 68
Income from compensation	6, 000. 00	3, 677, 654. 89
Income from fine and penalty	318, 724. 35	2, 879, 986. 02
Temporary received repair fund	681, 957. 93	585, 764. 95
Total	**265, 852, 475. 51**	**175, 470, 429. 38**

(2) Other cash paid relevant to operating activities:

Item	Reporting Period	Same period of last year
Expense for cash payment	470, 234, 898. 51	460, 136, 035. 36
Payment for pledges, guarantee and repair	42, 278, 211. 56	54, 634, 052. 75
Employee reserve fund	11, 796, 262. 92	15, 101, 732. 17
Payment made on behalf	23, 090, 996. 59	7, 520, 596. 52
Expense for bank handling charges	4, 984, 527. 17	3, 202, 027. 62
Donation expense	28, 000. 00	36, 000. 00
Other expense	40, 284, 916. 71	41, 859, 725. 05
Total	**592, 697, 813. 46**	**582, 490, 169. 47**

(3) Other cash received relevant to investment activities

Item	Reporting Period	Same period of last year
Received financial product	4, 243, 417, 300. 00	1, 300, 500, 000. 00
Interest of entrust loan	50, 000, 000. 00	—
Interest of land fund	—	488, 063, 979. 00

Others	11,000.00	—
Total	**4,293,428,300.00**	**1,788,563,979.00**

(4) Other cash paid relevant to investment activity

Item	Reporting Period	Same period of last year
Purchase of financial product	4,293,417,300.00	1,301,000,000.00
Purchase of new share	—	5,784,590.00
Subsidiary excluded in consolidation or disposal of closing capital outflow	28,348,985.63	—
Others	41,000.00	150,362.07
Total	**4,321,807,285.63**	**1,306,934,952.07**

(5) Other cash received relevant to financing activities

Item	Reporting Period	Same period of last year
Note financing guarantee	—	118,095,176.56
Self opening and self discounting	1,087,905,232.65	—
Others	3,600,000.00	—
Total	**1,091,505,232.65**	**118,095,176.56**

(6) Other cash paid relevant to financing activities

Item	Reporting Period	Same period of last year
Financing guarantee deposit	—	132,986,357.83
Financing lease	—	875,603.76
Interest of self opening and self discounting	31,252,365.37	—
Others	5,708.23	
Total	**31,258,073.60**	**133,861,961.59**

53. Supplemental information for Cash Flow Statement

(1) Supplemental information for Cash Flow Statement

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	9,906,950.72	-304,618,171.69
Add: Provision for impairment of assets	39,254,565.34	37,744,452.91
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	63,256,033.89	72,037,148.23
Amortization of intangible assets	6,225,055.67	6,114,059.53
Long-term unamortized expenses	27,591,224.40	10,613,072.64

Supplemental information	Reporting Period	Same period of last year
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-2, 529, 596. 10	1, 192, 849. 90
Loss on retirement of fixed assets (gains: negative)	—	—
Losses from variation of fair value (gains: negative)	—	—
Financial cost (gains: negative)	129, 789, 423. 55	99, 380, 910. 41
Investment loss (gains: negative)	-10, 586, 381. 62	7, 185, 454. 13
Decrease in deferred income tax assets (gains: negative)	-36, 491, 902. 56	-60, 779, 263. 28
Increase in deferred income tax liabilities (crease in deferred	1, 218, 228. 05	6, 341, 583. 07
Decrease in inventory (gains: negative)	29, 575, 516. 85	155, 252, 082. 46
Decrease in accounts receivable from operating activities (gains: negative)	203, 319, 939. 04	706, 029, 496. 58
Increase in payables from operating activities (decrease: negative)	-586, 071, 113. 65	-666, 450, 765. 26
Others	—	—
Net cash flows generated from operating activities	-125, 542, 056. 42	70, 042, 909. 63
2. Investing and financing activities that do not involving cash receipts and payment:		
Conversion of debt into capital	—	—
Company bonus convertible due within one year	—	—
Fix assets under financing lease	—	—
3. Net increase in cash and cash equivalents		
Closing balance of cash	2, 469, 950, 766. 48	2, 036, 481, 117. 08
Less: Opening balance of cash	1, 488, 154, 851. 35	1, 640, 236, 837. 08
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	981, 795, 915. 13	396, 244, 280. 00

(2) Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	2, 469, 950, 766. 48	2, 036, 481, 117. 08
Including: Cash on hand	3, 160. 55	193, 395. 85
Bank deposit on demand	2, 469, 947, 605. 93	2, 036, 287, 721. 23
II. Cash and cash equivalents	—	—
Of which: Bond investment due within three months	—	—

Item	Closing balance	Opening balance
III. Closing balance of cash and cash equivalents	2, 469, 950, 766. 48	2, 036, 481, 117. 08

54. The assets with the ownership or use right restricted

Item	Closing book value	Restricted reason
Other monetary funds	128, 266, 065. 72	Each margin deposit for security can not be withdrawn at any time.
Notes receivable	1, 487, 252, 160. 59	Notes: Up to 30 June 2016, the Company pledged the banker's acceptance bill of the book value of RMB1, 487,252,160.59 for the comprehensive financing business such as handling the billing, letter of credit and the trading financing.
Total	1, 615, 518, 226. 31	

55. Foreign currency monetary items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			590, 552, 973. 08
Including: USD	86, 581, 837. 73	6. 6312	574, 141, 482. 38
EUR	50, 485. 65	7. 3750	372, 331. 67
HKD	18, 064, 682. 39	0. 85467	15, 439, 342. 10
Canadian Dollar	6. 96	5. 1222	35. 65
GBP	1. 32	8. 9212	11. 78
IDR	1, 190, 018, 852. 98	0. 000504	599, 769. 50
Account receivable			691, 886, 942. 59
Including: USD	103, 225, 983. 24	6. 6312	684, 512, 140. 09
HKD	5, 355, 962. 53	0. 85467	4, 577, 580. 50
IDR	5, 061, 764, 020. 87	0. 000504	2, 551, 129. 07
AUD	49, 764. 00	4. 9452	246, 092. 93
Other accounts receivable			5, 904, 963. 59
Including: USD	848, 167. 38	6. 6312	5, 624, 367. 53
EUR	6, 635. 14	7. 3750	48, 934. 16
HKD	160, 916. 88	0. 85467	137, 530. 83

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
IDR	186, 768, 000. 00	0. 000504	94, 131. 07
Accounts payable			205, 741, 631. 80
Including: USD	30, 819, 516. 40	6. 6312	204, 370, 377. 15
HKD	1, 503, 452. 49	0. 85467	1, 284, 955. 74
IDR	171, 228, 001. 36	0. 000504	86, 298. 91
Short-term loans			1, 104, 246, 895. 59
Including: USD	166, 522, 936. 36	6. 6312	1, 104, 246, 895. 59

VII. Changes of merge scope

1. The disposal of subsidiary

Single disposal of investment to subsidiary that losing control

Name	The equity disposal price	Equity disposal proportion (%)	Method of equity disposal	Time of losing control	Recognition basis of the time of losing control	The differences enjoyed of net assets share of the subsidiary in corresponding consolidated statements between the disposal of price and the disposal of investment
Changshu Konka Electronic Co., Ltd.	—	60.00	Cancel	5/31/2016	Finished liquidation	0.00

(Continued)

Name	Residual equity proportion on the date of losing control (%)	Book value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Profits or losses of residual equity recalculated in line with fair value	Recognition method and main assumption of fair value of residual equity on the date of losing control	Amount related to other comprehensive income transfer into investment profits or loss of original subsidiary equity investment
Changshu Konka Electronic Co., Ltd.	—	—	—	—	—	—

2. Other reasons for the changes in combination scope

On 31 December 2015, the Company's subsidiary, Konka Household Appliances Investment signed agreement with Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd.

Since 1Jan. 2016, Dingshengxin Mould Technology Consultation Co., Ltd. no longer entrusted Konka Household Appliances Investment managed its holding of 6.18% shares of Precision Mold, and since 1 January 2016, the Precision Mold and its subsidiaries (Kunshan Jielunte Mould Plastic Co., Ltd, Dongguan Xutongda Mould Plastic Co., Ltd.,Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd. and Dongguan Konka Mould Plastic Co., Ltd., which excluded into consolidated statements scope.

VIII. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Telecommunications Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Shenzhen Konka Electronic Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Electrical Appliances Retail	100.00	—	Set up or investment
Shenzhen Konka Information Network Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Shenzhen Konka Plastic Products Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	49.00	51.00	Set up or investment
Shenzhen Konka Life Electronic Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Investment holding	75.00	25.00	Set up or investment
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang, Heilongjiang	Mudanjiang, Heilongjiang	Manufacturing industry	60.00	—	Set up or investment
Chongqing Konka Electronic Co., Ltd. ①	Chongqing	Chongqing	Manufacturing industry	—	40.00	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Anhui Konka Electronic Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	78.00	—	Set up or investment
Anhui Konka Appliance Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	—	100.00	Set up or investment
Kunshan Konka Electronic Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	Manufacturing industry	100.00	—	Set up or investment
Dongguan Konka Electronic Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	75.00	25.00	Set up or investment
Dongguan Konka Packing Materials Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	—	100.00	Set up or investment
Boluo Konka PCB Co., Ltd.	Boluo，Guangdong	Boluo，Guangdong	Manufacturing industry	—	100.00	Set up or investment
Boluo Konka Precision Technology Co., Ltd.	Boluo，Guangdong	Boluo，Guangdong	Manufacturing industry	—	100.00	Set up or investment
Hong Kong Konka Co., Ltd.	Hong Kong, China	Hong Kong, China	International Trading	100.00	—	Set up or investment
Konka Household Appliances Investment & Development Co., Ltd.	Hong Kong, China	Hong Kong, China	Investment holding	—	100.00	Set up or investment
Konka Household Appliances International Trading Co., Ltd.	Hong Kong, China	Hong Kong, China	International Trading	—	100.00	Set up or investment
KONKA AMERICA,INC.	America	America	International Trading	100.00	—	Set up or investment
Konka (Europe) Co., Ltd.	Frankfurt, Germany, Europe	Frankfurt, Germany, Europe	International Trading	100.00	—	Set up or investment
Konka Commercial Factor(Shenzhen) Co., Ltd.②	Shenzhen, Guangdong	Shenzhen, Guangdong	R&D expenses	100.00	—	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Wankaida Science and Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Software development	100.00	—	Set up or investment
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	Real estate	100.00	—	Set up or investment
Anhui Konka Tongchuang Household Appliances Co., Ltd.③	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	100.00	—	Set up or investment
Indonesia Konka Electronics Co., Ltd.	Indonesia	Indonesia	International Trading	—	51.00	Set up or investment
Shenzhen Shushida Logistics Service Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Logistics	100.00	—	Set up or investment
Beijing Konka Electronic Co., Ltd.	Beijing	Beijing	Sale of home appliance	100.00	—	Set up or investment
Shenzhen Konka E-display Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	60.00	—	Set up or investment
Shenzhen E-display Service Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry		60.00	Set up or investment
Xiamen Dalong Trade Co., Ltd.	Xiamen, Fujian	Xiamen, Fujian	Commerce	—	69.23	Set up or investment
Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Others	—	70.00	Set up or investment
Shenzhen Kangqiaojiacheng Property Investment Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Real estate	70.00	—	Set up or investment
Konka Smarttech Limited	Hong Kong, China	Hong Kong, China	Others	—	61.00	Set up or investment
Anhui Kakai Shijie E-Commerce Co., Ltd	Anhui	Anhui	E-commerce	80.00	—	Set up or investment
Shenzhen Yipingfang Network Technology Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Information service	100.00	—	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Commercial Systems Technology Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	81.00	—	Set up or investment
Shenzhen Konka Mobile Internet Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	51.00	—	Set up or investment

① The Company holds 40.00% shares of Chongqing Qingjia Electronic Co., Ltd. that all senior managers of Chongqing Qingjia Electronic Co., Ltd. are appointed and dismissed by the Company. Among the directors, half of them or over half are dispatched directly or indirectly by the Company. Moreover, in Chongqing Qingjia, 70% to 80% of its products are sold to the Company and thus the Company has absolute influence and control over the production and operation of Chongqing Qingjia Electronic Co., Ltd., which is combined into the consolidated financial statement.

Konka Factor: Shenzhen Konka Optoelectronic Technology Co., Ltd. renamed as Konka Commercial Factor (Shenzhen) Co., Ltd..

③ Anhui Tongchuang is a limited company jointly invested and established by the Company and Chuzhou Tongchuang Construction Investment Co., Ltd. (hereinafter refer to as "Tongchuang Construction") with registration capital of RMB 180 million, of which each party invested in RMB 90 million respectively on contract. As to 31 Dec. 2013, Anhui Tongchuang with a paid-up capital of RMB 120 million (including paid-up capital of RMB 90 million of the Company, 75.00% of total paid-up capital; and paid-up capital of RMB 30 million of Tongchuang Construction, 25.00% of total paid-up capital). According to contract sign by two parties, Tongchuang Construction has the rights of transferring stock ownership three years after the establishment of Anhui Tongchuang Company. Meanwhile, the Company can repurchase the said stock ownership and contracted with Tongchuang Investment Company that the Company shall receive fixed investment gains at 2% of actual capital invested by the Group annually. So the Company can conduct actual control to Anhui Tongchuang Company, and combines it into the consolidated financial statement.

(2) Significant not wholly owned subsidiary

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Anhui Konka	22.00	9,031,962.29	—	74,010,197.39
Kaikai Shijie	20.00	1,183,603.57	—	5,551,579.26

(3) The main financial information of significant not wholly owned subsidiary

Name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka	711, 425, 495. 07	241, 989, 994. 89	953, 415, 489. 96	616, 703, 059. 63	8, 347, 141. 53	625, 050, 201. 16
Kaikai Shijie	350, 802, 357. 49	1, 650, 943. 82	352, 453, 301. 31	324, 695, 404. 99	0. 00	324, 695, 404. 99

Name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka	861, 543, 505. 16	246, 490, 103. 64	1, 108, 033, 608. 80	811, 514, 052. 71	9, 208, 641. 33	820, 722, 694. 04
Kaikai Shijie	150, 449, 151. 27	569, 437. 47	151, 018, 588. 74	129, 178, 710. 26	0. 00	129, 178, 710. 26

Name	Reporting Period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Anhui Konka	1, 782, 076, 379. 17	41, 054, 374. 04	41, 054, 374. 04	-18, 411, 271. 87
Kaikai Shijie	249, 006, 644. 45	5, 918, 017. 84	5, 918, 017. 84	-27, 434, 290. 16

Name	Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Anhui Konka	2, 428, 514, 346. 89	-11, 901, 124. 74	-11, 901, 124. 74	58, 973, 435. 78
Kaikai Shijie	170, 879, 853. 80	369, 937. 21	369, 937. 21	-4, 453, 057. 48

2. Equity in associated enterprise

(1) Significant joint venture arrangement or associated enterprise

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Shenzhen Refund Optoelectronics Co., Ltd.	Shenzhen	Shenzhen	Production and sale of light emitting diode	—	5.90	Equity method
Enraytek Optoelectronics Co., Ltd.	Shanghai	Shanghai	Production and sale of light emitting diode	—	28.04	Equity method
Shanghai Konka Green Science & Technology Co., Ltd.	Shanghai	Shanghai	Production and sale of light emitting diode	39.00	—	Equity method
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen	Shenzhen	Production and marketing of plastic mould	—	46.31	Equity method
Dongguan Konka Mould Plastic Co., Ltd.	Dongguan	Dongguan	Production and marketing of plastic mould	—	59.73	Equity method

(2) Main financial information of significant associated enterprise

Item	Closing balance/ Reporting Period		Opening balance /last period	
	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Current assets	672, 863, 442. 16	307, 126, 443. 33	643, 665, 278. 09	124, 548, 698. 88
Non-current assets	719, 923, 784. 36	319, 021, 992. 02	693, 903, 656. 72	237, 205, 034. 02
Total assets	1, 392, 787, 226. 52	626, 148, 435. 35	1, 337, 568, 934. 81	361, 753, 732. 90
	0. 00			
Current liabilities	458, 027, 910. 04	230, 934, 164. 88	551, 431, 214. 97	97, 706, 289. 06
Non-current liability	748, 825, 263. 72	87, 124, 707. 56	556, 666, 832. 72	86, 797, 751. 49
Total liabilities	1, 206, 853, 173. 76	318, 058, 872. 44	1, 108, 098, 047. 69	184, 504, 040. 55
	0. 00			
Minority interests	1, 289, 036. 50	115, 034, 798. 59	-260, 290. 34	2, 248, 992. 25
Equity attributable to owners of the Company	184, 645, 016. 26	193, 054, 764. 31	229, 731, 177. 46	175, 000, 700. 10
Portion of net assets calculated according to proportion of shareholdings	51, 847, 447. 97	75, 291, 358. 07	64, 416, 622. 16	68, 250, 273. 03

Item	Closing balance/ Reporting Period		Opening balance /last period	
	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Adjusting events				
-Goodwill		—	—	—
-Unrealized internal sales gain and loss	—	—	—	—
-Other	—	—	—	—
Book value of equity investment to associated venture			64, 416, 622. 16	68, 250, 273. 03
Fair value of equity investment of associate enterprises with public offer			—	—
Operation revenue	83, 883, 271. 42	206, 432, 914. 79	165, 482, 576. 55	120, 572, 337. 08
Net profit	-45, 113, 945. 96	-11, 943, 355. 21	-58, 648, 256. 05	-21, 424, 479. 94
Net profits of termination operation			—	—

Item	Closing balance/ Reporting Period		Opening balance /last period	
	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Other comprehensive income		1, 294, 461. 56	—	1, 033, 575. 71
Total comprehensive income	-45, 113, 945. 96	-10, 648, 893. 65	-58, 648, 256. 05	-20, 390, 904. 23
Equity received from associated enterprises in Reporting Period	—	—	—	—

IX. The risk related financial instruments

Main financial instruments include monetary capital, accounts receivable and accounts payable. Refer to Note XI for the details of all financial instruments. Risks related to financial instruments and risk management policies to reduce risks are as follows. The management should control and monitor the risk exposure to ensure all risks within defined scope.

The Company use sensitivity analysis technology to analyze the reasonable of risk variables, influence of probable changes to the current profits and Stockholders' equity. Because risk variables are not happened independently, correlation of variables to certain risk variable may affect the final amount. Therefore, the following items are conducted under assumptions of each variable changing independently.

(I) Risk management objectives and policies

Risk management objective of the Company is to balance the risks and profits, minimize the negative effects to business performance and maximize the profits for stockholders and other equity investors. On the basis of risk management objectives, basic strategies of risk management are to determine and analyze all possible risks, establish appropriate risk baseline, control and manage risks and monitor all risks timely and reliably within defined scope.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risks that may lead to losses due to fluctuation in exchange rate. Foreign exchange risk refers to the risks that may lead to losses due to fluctuation in exchange rate. The foreign exchange risk borne by the Company is related to USD, EURO and HKD, except the procurement and sales by US dollars for several subsidiaries such as the Company, Kongkong Konka, American Konka, Konka Trading Europe Konka and Indonesia Konka which settled by USD HKD and EURO for purchase and sale. Until 30 June 2016 (refer to Notes VI 55, foreign monetary items), foreign exchange risks may affect the business performance produced by the assets and liabilities of the balance.

The Company timely pay attention to the influence of change of the exchange rate to the Company's foreign exchange risk, which require the Group and others which conducted purchase and sale with settlement by foreign currency to purchase foreign currency long-term forward contract to lock the cost of purchase on forward date to reduce the risk exposure of foreign exchange.

(2) Interest rate risk- cash flow change risk

Cash flow change risk caused by financial instruments due to interest rate change is related to floating interest rate of bank loan. By establishing good relations with banks and reasonable planning of credit line, credit varieties and credit period, it is to guarantee sufficient band line of credit and satisfy all financial demands. Moreover, it is to reduce risks of interest rate uncertainty by shortening single loan term and establishing repayment terms.

3. Other price risk

For the equity investment of other listed companies holding by the Company, the management considers that the market price risks are acceptable. Refer to Notes VI, 11 Available-for-sale financial assets for equity investment of other listed companies holding by the Company.

2 Credit risk

On 30 June 2016, the biggest credit risk exposure may lead to the financial assets losses of the Company was mainly from the one party fail to perform its obligation, which included: book amount recognized in consolidated balance sheet: for financial instruments measured at fair value, the book value reflect its risk exposure, but not the biggest one, the biggest risk exposure will change along with the change of future fair value.

In order the reduce the credit risk, the Company establish a group response for recognizing line of credit, conducting credit approval and other monitor procedures to ensure that the necessary measures were used to recycle expired claims. In addition, the Company at each balance sheet date, review every single receivables recycling situation, to ensure that the money unable to recycle withdrawn provision for bad debt fully. Thus, the Company management believed that have assume the credit risk the Company shouldered had been greatly reduced.

The company’s working capital was in bank with higher credit rating, so credit risk of working capital was low.

3. Liquidity Risk

When managing liquidity risk, the Company maintained the management, so credit rat supervising the sufficient cash and cash equivalents to meet the operating demand of the Company and reduce the influence of the fluctuation of cash flow.

X. The disclosure of the fair value

1. Closing fair value of assets and liabilities calculated by fair value

Item	Closing fair value

	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement				
(I) Financial assets calculated by fair value and changes record into current profits or losses	—	—	—	—
Trading financial assets	15,462,265.94	—	—	15,462,265.94
(II) Available-for-sale financial assets				
1. Debt instruments investment	—	—	—	—
2. Equity instrument investment	2,865,883.30	—	—	2,865,883.30
3. Other	—	—	—	—
(I)Financial liabilities measured by fair value and the changes included in the current gains and losses				
Transaction financial liabilities	607,587.55			607,587.55
Total assets of consistent fair value measurement	**18,328,149.24**	—	—	**18,328,149.24**
Total liabilities of consistent fair value measurement	**607,587.55**	—	—	**607,587.55**
Total assets inconsistently measured at fair value	—	—	—	—
Total liabilities inconsistent measured at fair value	—	—	—	—

2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

① As of the end of Reporting Period, the Company in line with the difference of DF forward foreign exchange purchase cost (DF base price on balance sheet date) on assets balance sheet and agreement DF forward foreign exchange purchase cost (DF exchange rate agreed) recognized as losses or profits

②As of the end of Reporting Period, the Company held 117,310.00 shares of stock A of Vanke, and their fair value at the end of the Reporting Period was determined to be RMB2, 865,883.30 according to closing price of RMB24.43 for each share on 30 June 2016.

XI. Related party and related Transaction

1. Information of parent company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Shenzhen OCT East Co., Ltd.	Shenzhen	Tourism, real estate, electronics industry	6.3 billion	29.99	29.99

Notes: the final control party of the Company is State-owned Assets Supervision and Administration Commission

2. Information of subsidiary of the Company

Details of information of subsidiary of the Company see note 1. Equity in subsidiary VIII

3. Information on the joint ventures of the Company

See note 10. Long term equity investment, VI

4. Information on other related parties of the Company

Name	Relationship
Shenzhen OCT East Co., Ltd.	Shareholder of the Company
Shanghai OCT Investment Development Co., Ltd.	Subsidiary of shareholder
Shanghai OCT Investment Development Co., Ltd.	Subsidiary of shareholder
Shanghai Tianxiang OCT Investment Co., Ltd.	Subsidiary of shareholder
Anhui Huali Packaging Co., Ltd.	Subsidiary of shareholder
Shenzhen OCT Water and Power Co., Ltd	Subsidiary of shareholder
Shanghai Huali Packaging Co., Ltd	Subsidiary of shareholder
Shenzhen Huayou Packaging Co., Ltd	Subsidiary of shareholder
Shenzhen Huali Packing & Trading Co., Ltd	Subsidiary of shareholder

Name	Relationship
Huali Packaging (Huizhou) Co., Ltd.	Subsidiary of shareholder
Huizhou Huali Packaging Co., Ltd.	Subsidiary of shareholder
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Subsidiary of shareholder
Taizhou OCT Co., Ltd.	Subsidiary of shareholder
Shenzhen OCT Real Estate Co., Ltd.	Subsidiary of shareholder
Yunnan OCT Industry Co., Ltd.	Subsidiary of shareholder
Shenzhen OCT Hotel Co., Ltd.	Subsidiary of shareholder
Shenzhen OCT Property Management Co., Ltd.	Subsidiary of shareholder
Shenzhen OCT Hotel Group Co., Ltd.	Subsidiary of shareholder
Shenzhen Splendid China Development Co., Ltd.	Joint venture of shareholder
Shenzhen the Windows of the world Co., Ltd.	Joint venture of shareholder
Shanghai Konka Green Science & Technology Co., Ltd.	Associated enterprise
Anhui Konka Green Science & Technology Co., Ltd.	Subsidiary of associated enterprise
Shenzhen Refund Optoelectronics Co., Ltd.	Subsidiary of joint venture
Enraytek Optoelectronics Co., Ltd.	Subsidiary of joint venture
Zhuhai Jinsu Plastic Co., Ltd.	Subsidiary of joint venture
Charm Media Co. , Ltd.	Shareholder of the subsidiary
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Subsidiary of joint venture
Wuhan Jielunte Mould Plastic Co., Ltd.	Subsidiary of joint venture
Dongguan Konka Mould Plastic Co., Ltd.	Subsidiary of joint venture
Kunshan Jielunte Mould Plastic Co., Ltd.	Subsidiary of joint venture
Dongguan Xutongda Mould Plastic Co., Ltd.	Subsidiary of joint venture
Chuzhou Jielunte Mould Plastic Co., Ltd.	Subsidiary of joint venture
Anhui Jiasen Precision Technology Co., Ltd	Subsidiary of joint venture

5. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

① Information on acquisition of goods and reception of labor service

Related party	Content	Reporting Period	Same period of last year
Shenzhen Refund Optoelectronics Co., Ltd.	Purchase of raw material	54, 995, 087. 43	47, 882, 999. 94
Anhui Huali Packaging Co., Ltd.	Purchase of raw material	13, 316, 909. 09	13, 685, 714. 34
Shenzhen OCT Water and Power Co., Ltd	Water and power	1, 175, 261. 15	2, 982, 321. 50
Huali Packaging (Huizhou) Co., Ltd.	Purchase of raw material	4, 650, 789. 23	5, 062, 131. 26
Shanghai Huali Packaging Co., Ltd	Purchase of raw material	6, 150, 994. 50	5, 313, 689. 89
Zhuhai Jinsu Plastic Co., Ltd.	Purchase of raw material	—	456, 923. 11
Shenzhen OCT Hotel Group Co., Ltd.	Purchase of raw material	—	155, 425. 55
Dongguan Konka Mould Plastic Co., Ltd.	Purchase of raw material	23, 984, 888. 98	—
Kunshan Jielunte Mould Plastic Co., Ltd.	Purchase of raw material	1, 447, 315. 77	—
Chuzhou Jielunte Mould Plastic Co., Ltd.	Purchase of raw material	68, 600, 936. 93	—
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Purchase of raw material	14, 541, 172. 21	—

Information of sales of goods and provision of labor service

Related party	Content	Reporting Period	Same period of last year
Charm Media Co. , Ltd.	Advertising expense	11, 320, 754. 76	18, 868, 462. 33
Shenzhen Refund Optoelectronics Co., Ltd.	Selling materials	14, 403, 685. 82	10, 381, 121. 06
Shanghai OCT Investment Development Co., Ltd.	Repair processing charge income	35, 400. 00	—
Shanghai Tianxiang OCT Investment Co., Ltd.	Selling LCDs	63, 333. 33	—
Anhui Konka Green Science & Technology Co., Ltd.	Selling LCDs, maintenance cost	2, 798, 336. 32	374, 606. 74

Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Selling materials	179, 645. 20	—
Dongguan Konka Mould Plastic Co., Ltd.	Sale of materials, rental of houses	5, 867, 443. 85	—
Kunshan Jielunte Mould Plastic Co., Ltd.	Selling materials	3, 688. 80	—
Dongguan Xutongda Mould Plastic Co., Ltd.	Sale of materials, rental of houses	4, 306, 505. 64	—

(2) Related-party guarantee

Secured party	Currency	Guarantee amount (RMB'0,000)	Currency	Actual using amount (RMB'0,000)	Start date	End date	Execution accomplished or not
Anhui Tongchuang (notes ①)	RMB	30,000.00	RMB	1,225.00	2016-6-16	2017-6-15	No
				5,700.00	2015-12-31	2016-12-31	No
Shenzhen Konka Telecommunications Technology Co., Ltd.	RMB	50,000.00	RMB	15,689.16	2015-4-23	2016-9-30	No
Anhui Konka	RMB	20,000.00	RMB	—	2014-12-8	2017-12-7	No
Kunshan Konka	RMB	30,000.00	RMB	—	2014-12-8	2017-12-7	No
Hong Kong Konka	USD	3,090.00	USD	3,090.00	2014-9-17	2016-10-17	No
Hong Kong Konka	RMB	43,300.00	RMB	43,300.00	2015-11-23	2016-8-26	No

① Notes: the minority shareholders of Anhui Tongchuang and Chouzhou Tongchuang Investment Construction Co., Ltd. provided50% counter-guarantee to the limit amount of guarantee.

Notes: the minority shareholders of Anhui Tongchuang, Chouzhou State-owned Assets Operation Co., Ltd. provided 22% counter-guarantee to the limit amount of guarantee of the Company.②

(3) Rewards for the key management personnel

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	RMB4.0868 million	RMB5.1135 million

5. Receivables and payables of related parties

(1) Receivables

Name o f item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable:				
Shenzhen Refund Optoelectronics Co., Ltd.	12, 571, 947. 92	251, 438. 96	12, 116, 064. 48	242, 321. 29
Shanghai Konka Green Science & Technology Co., Ltd.	11, 037, 967. 18	849, 203. 14	10, 963, 614. 12	548, 180. 71
Shanghai OCT Investment Development Co., Ltd.	6, 000. 00	120. 00	150, 000. 00	3, 000. 00
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	—	—	—	—
Charm Media Co. , Ltd.	—	—	775, 587. 00	15, 511. 74
Chongqing Konka Eurotomotive Electronic Co., Ltd.	981, 218. 48	981, 218. 48	981, 218. 48	981, 218. 48
Dongguan Konka Mould Plastic Co., Ltd.	18, 486, 734. 32	368, 475. 89		
Dongguan Xutongda Mould Plastic Co., Ltd.	18, 343, 955. 14	1, 065, 580. 77		
Total	61, 427, 823. 04	3, 516, 037. 24	24, 986, 484. 08	1, 790, 232. 22
Other accounts receivable:				
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18, 115, 952. 51	6, 304, 295. 73	18, 115, 952. 51	5, 366, 657. 87
Chongqing Konka Eurotomotive Electronic Co., Ltd.	13, 396, 856. 82	13, 396, 856. 82	13, 396, 856. 82	13, 396, 856. 82
Shenzhen OCT Property Management Co., Ltd.	77, 402. 65	38, 701. 33	6, 491, 248. 10	203, 206. 00
Shenzhen OCT Water and Power Co., Ltd	1, 331, 890. 64	26, 637. 81	1, 198, 932. 32	23, 978. 65
Shenzhen OCT Real Estate Co., Ltd.	1, 053, 706. 86	1, 053, 706. 86	1, 053, 706. 86	1, 033, 282. 36
Chengdu Tianfu OCT Industrial Development Co., Ltd.	440, 000. 00	8, 800. 00	440, 000. 00	8, 800. 00
Shenzhen Overseas Chinese Town Gas Station	80, 000. 00	80, 000. 00	80, 000. 00	80, 000. 00

Name o f item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Co., Ltd.				
Dongguan Konka Mould Plastic Co., Ltd.	4, 448. 00	222. 40		
Total	**34, 500, 257. 48**	**20, 909, 220. 95**	**40, 776, 696. 61**	**20, 112, 781. 70**

(2) Payables

Name o f item	Closing balance	Opening balance
Accounts payable:		
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	17, 142, 460. 81	20, 412, 650. 58
Anhui Huali Packaging Co., Ltd.	8, 983, 451. 22	4, 160, 761. 50
Shenzhen Refund Optoelectronics Co., Ltd.	8, 282, 445. 54	3, 309, 766. 50
Shanghai Huali Packaging Co., Ltd	2, 464, 761. 33	2, 634, 241. 04
Huali Packaging (Huizhou) Co., Ltd.	1, 432, 252. 56	1, 747, 011. 10
Shenzhen Huali Packing & Trading Co., Ltd	1, 078, 005. 09	1, 078, 005. 09
Shenzhen Dekang Electronics Co., Ltd.		358, 929. 03
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	18, 057, 643. 45	
Dongguan Konka Mould Plastic Co., Ltd.	19, 327, 420. 28	
Chuzhou Jielunte Mould Plastic Co., Ltd.	21, 967, 239. 10	
Kunshan Jielunte Mould Plastic Co., Ltd.	1, 210, 460. 66	
Total	**99, 946, 140. 04**	**33, 701, 364. 84**
Notes payable:		
Shenzhen Refund Optoelectronics Co., Ltd.	13, 251, 695. 28	12, 997, 249. 74
Anhui Huali Packaging Co., Ltd.	5, 289, 708. 07	5, 150, 030. 89
Huali Packaging (Huizhou)Co.,Ltd.	2, 416, 694. 14	988, 662. 81
Zhuhai Jinsu Plastic Co., Ltd.		186, 000. 04

Name o f item	Closing balance	Opening balance
Shanghai Huali Packaging Co., Ltd	5, 056, 332. 39	3, 126, 818. 21
Dongguan Konka Mould Plastic Co., Ltd.	3, 150, 252. 14	
Chuzhou Jielunte Mould Plastic Co., Ltd.	5, 988, 283. 88	
Total	**35, 152, 965. 90**	**22, 448, 761. 69**
Accounts received in advance:		
Charm Media Co. , Ltd.	0. 00	126, 000. 00
Shenzhen OCT Property Management Co., Ltd.	5, 500. 00	
Chongqing OCT Industrial Development Co., Ltd.	816, 190. 20	
Taizhou OCT Co., Ltd.	50, 000. 00	
Total	**871, 690. 20**	**126, 000. 00**
Other account payable:		
Anhui Huali Packaging Co., Ltd.	258, 000. 00	258, 000. 00
Shanghai Huali Packaging Co., Ltd	652, 000. 00	652, 000. 00
Shenzhen Refund Optoelectronics Co., Ltd.	51, 135. 00	51, 135. 00
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	19, 440. 00	
Chuzhou Jielunte Mould Plastic Co., Ltd.	20, 000. 00	
Shenzhen OCT Property Management Co., Ltd.	658, 823. 73	
Total	**1, 659, 398. 73**	**961, 135. 00**

XII. Commitments and contingency

1. Significant commitments

(1) Capital commitment

Item	Closing balance	Opening balance
Commitments signed but hasn’t been recognized in financial statements		
-- Commitment for constructing and purchasing long-term assets	—	—
- Contract with large amount	291,009,210.10	184,797,300.59

Item	Closing balance	Opening balance
- Foreign investment commitments	—	—
Total	**291,009,210.10**	**184,797,300.59**

(2) Operating lease commitments

As of the end of balance sheet date, the irrevocable operating lease commitments that the Company signed were as followed:

Item	Closing balance	Opening balance
Minimum lease payments of irrevocable operating lease		
1 year after balance date	18,853,170.69	20,414,436.47
2 year after balance date	10,327,948.62	10,962,573.65
3 year after balance date	8,850,987.35	5,382,286.87
Future years	2,799,344.23	4,007,824.20
Total	40,831,450.89	40,767,121.19

2. Contingency

1. Contingent liabilities and its financial effect arising from unsettled litigation or arbitration

①Contingent liabilities and financial effects caused by pending litigation or arbitration

On 4 February 2013, the Company's subsidiary Kunshan Konka signed Purchase Order (Hereinafter referred to as "PO") with Italy customer MOTOM ELECTRONICS GROUP SPA (Hereinafter referred to as the "MEG").

The PO payment was 90 days L/C, L/C amount was $1.29744 million. MEG opened L/C which Kunshan Konka was beneficiary on 26 February due to the problems of delivery time and related items, after the agreement of both parties, MEG respectively opened two revisions of L/C on 11 Mar. and 13 May. Then the Kunshan Konka entrusted Ningbo United International Freight Forwarding Co., Ltd. (Hereinafter referred to as the "Ningbo United") to book space, and Ningbo United signed and issued the carrier's bill of lading of Econolines Ltd. (Hereinafter referred to as the "Econolines" (No. NGB1305005\GNB1305016\NGB1305034), the whole case handover with Container delivery conditions of CY TO CY) on 5, 14 and 19 May 2013. According to the verification, after the goods arrived to the port of destination in Italy, the empty cargo container had returned to the shipping company, but the full set of original bill of lading was still in Kunshan Konka; Ningbo United and Econolines's behaviors of delivery of goods without original bill of lading had violated the "maritime law" and other relevant laws and regulations, Kunshan Konka had right to require Econolines return the goods. The total amount of the goods was $ 1,214,780.04, equivalents RMB7,507,340.65, MEG received the goods but not pay the full amount of the goods to Kunshan Konka, the amount in arrear reached $1,100,000.00.

Kunshan Konka entrusted Shanghai Jiajia Law firm to file a suit from Shanghai Maritime Court, requested Ningbo United and Econolines compensate for the loss of payment for goods USD1,099,423.52 and its interest; meanwhile bear the fees for acceptance and property preservation application fee on 15 August 2013. On 26 May 2014, Shanghai Maritime Court made the first-instance judgment, which ordered Ningbo United and Econolines compensate for the loss of payment for goods USD1,099,423.52 and its interest, and bear the fees for acceptance and property preservation application fee In Jun. 2014 Ningbo United appealed to the Shanghai Higher People's Court against its sentence. On 24 Nov. 2014, the second trial had been made. During the second trial, the Kunshan Konka indicated that as of 31 May 2015, the company had received EUR100000 payment from the oversea receivers which would be deducted from the payment of goods of United and Econolines. Kunshan Konka were willing to give up the interest part of EUR100000 discounted by bank rate on the date of the second trial basing on USD1,099,423.52 in the first trial. On 16 Jul. 2015, Shanghai Higher People's Court made the second-instance judgment, which ordered Econolines compensate for the loss of payment for goods USD990, 253.50 (discounted by the middle of the euro against the dollar exchange rate of People's Bank of China on 16 July 2015) and bear the fees for acceptance, United bear the joint liability. Execution stage, Kunshan Konka received RMB592, 000 and USD17475 of compulsory execution amount of Ningbo United by Ningbo Maritime Court. As of 30 June 2016, Kunshan Konka receivable of debt right was USD 855,378.57.

②The Company's subsidiary Nanchang Branch applied for property preservation for Tengda Electric Appliance Co., Ltd. due to the contract dispute. After the judgment from Nanchang Intermediate People's Court, RMB9, 918,725.43 of Tengda Electric Appliance Co., Ltd. was frozen and five houses were closed down. The follow-up in line with the actual situation, the Company conduct additional interest change to the original prosecuting amount, the additional amount was RM595, 123.50, the court had accepted. Tengda Electric Appliance Co., Ltd. refused the result of judgment and filed a suit to Jiangxi Province Municipal Senior People's Court. On 29 February 2016, the judgment of Jiangxi Province Municipal Senior People's Court was affirming the original judgment. As of 30 June 2016, Nanchang Branch had debt receivable of RMB8, 223,935.99 to Tengda Electric Appliance Co., Ltd..

On 1 March 2016, Nanchang Branch received notice from Xinyu Municipal Senior People's Court accepting case of bankruptcy liquidation of Tengda Electric Appliance Co., Ltd. and referred management personnel to conduct the process and on 16 March, received suspending trial of case. So far, debt right application information of Nanchang Branch had submitted to the bankruptcy management personnel.

③ 3 November 2015, the Company, Shenzhen Konka Yishijie Commercial Display Co., Ltd. (Hereinafter named as Yishijie) together with Guangdong Shunwei Precise Plastics Co., Ltd.(Hereinafter named as Shunwei Company) signed Agreement of Equity Transfer, the agreement upon the Company planned to transfer 60% equity of Yishijie to Shunwei Company, which agreed that Shunwei Company accepted the aforesaid equity and tentatively pricing the equity transfer as RMB72 million, meanwhile, the other shareholder of Yishiye, Shenzhen Konka Yi Capital Investment Cooperation Enterprise, Agreement of Equity Transfer Intention signed by Yishijie and Shunwei Company had made agreement to the Yi Capital transfer its holding 15% equity of Yishijie to Shunwei Company, the Company signed agreement with Shunwei Company which agreed that, Shunwei Company shall conduct banner, paying the guarantee and signing the formal agreement in line with the agreement and listed announcement, if violate a treaty, the Company losses shall be repaid(such as B party listing cost and listing prospective earnings).

In January 2016, the Company in line with the agreement, listed and sold its holding of 60% equity of Yishijie on Shanghai United Assets and Equity Exchange. The listing period was from 29 January 2016 to 2 March 2016. As of 26 February 2016, Shunwei Company had not submitted the equity transferee application, the Company sent Communication Letter to urge Shunwei Company to deal with the relevant application procedure. On 29 February 2016, Shunwei Company sent Reply Letter to the Company, which declared that it decided not to submit the application of transferee, and hope to release agreement, Then, Shunwei refused to bare the losses of the Company, and the dispute incurred. On 2 March, 2016, at the expiration of listing period, Shunwei Company did not submit the application as agreed. On 30 May 2016, the Company and Yishijie filed a suit to the Shenzhen Nanshan District People’s Court upon the illegal behaviors of Shunwei Company.

(2) Possible liabilities formed for providing debt guarantee for other institutions and their financial impacts

The Company applied to China Construction Bank, Shenzhen Branch for a credit line of USD30.90 million (about RMB188.9102 million) on Wednesday, September 17, 2014 and China Construction Bank (Asia) Co., Ltd. provided a short-term loan of USD29.97million to

Hong Kong Konka on September 17, 2014, and the guarantee period was from Wednesday, September 17, 2014 to October 17, 2016.

The Company signed a Credit Line Contract with the serial number of BJ2014Z241JTBB-1 with China Construction Bank, Shenzhen Branch on December 8, 2014, and provided a credit guarantee with a line of RMB200million for Anhui Konka Electronics Co., Ltd, and its guarantee term was from December 8, 2014 to December 7, 2017. The line is mainly used by Anhui Konka Electronics Co., Ltd. for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2016, RMB0.00 had been used in this line. Chuzhou State-owned Assets Operation Co., Ltd, a minority stockholder of Anhui Konka provided 22% of counter guarantee of the line guaranteed by the Company.

The Company provided a credit guarantee with a line of RMB300million for Anhui KonkaTongchuang Household Appliances Co., Ltd., and its guarantee term was from December 8, 2014 to December 7, 2017. The line is mainly used by Anhui KonkaTongchuang Household Appliances Co., Ltd. for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2016, RMB69,250,000.00 had been used in this line. ChuzhouTongchuang Investment and Construction Co., Ltd., a minority stockholder of Toptry Electric Appliance Co., Ltd provided 50% of counter guarantee of the line guaranteed by the Company.

The Company signed a Credit Line Contract with the serial number of BJ2014Z241JTBB-2 with China Construction Bank, Shenzhen Branch on December 8, 2014, and provided a credit guarantee with a line of RMB 300 million for KunshanKonka Electronic Co., Ltd., and its guarantee term was from December 8, 2014 to December 7, 2017. The line is mainly used by KunshanKonka Electronic Co., Ltd. for the purposes of daily operating such as acquiring financial loans from banks. By June 30, 2016, the amount in this line had been used.

The Company applied to Bank of China, Shenzhen Branch for a comprehensive credit line of RMB5.3 billion on April 21, 2015, and provided a credit guarantee of RMB500 million for Shenzhen Konka Telecommunications Technology Co., Ltd. with its comprehensive credit line of RMB500 million on April 22, 2015, and its guarantee term was from April 22, 2015 to April 21, 2016.After the expiration of the guarantee term, the Company signed a Supplement Agreement of Credit Line with Bank of China, Shenzhen Branch for an extension of guarantee term, which became from 22 April 2016 to 17 June 2016. And on 13 July 2016,the Company signed a Supplement Agreement of Credit Line with Bank of China, Shenzhen Branch for an extension of guarantee term again, which became from 13 July 2016 to 16 September 2016. The credit line is mainly used for the purposes of daily operating businesses such as acquiring financial loans from banks. By June 30, 2016, RMB156, 891,604.85 in this line had been used.

The Company applied to Bank of China Limited, Shenzhen Nanshan Branch, for a credit line by letter of guarantee of RMB433 million on November 10, 2015, and China Construction Bank (Asia) Co., Ltd. provided a short-term loan of RMB420 million to Hongkong Konka and its guarantee term was from November 23, 2015 to August 26, 2016.

XIII. Events after balance sheet date

1. On 7 July 2016, the Company held the 19th meeting of the 8th Board of Directors; the meeting reviewed and approved that the Company investing USD765000 and together with

nature person Wu Guoren, XiaoYongsong set up Zhongkang Supply Chain Management Co., Ltd., the registration capital of the company was USD1.5 million, of which Konka Group invested USD765000, held 51% equity, Wu Guoren invested cash USD375000, held 25% equity, Xiao Yongsong invested USD360000, held 24% equity. As of the date of financial report issued, the joint venture company had established, but not yet registered.

2. On 7 July, the Company held the 19th meeting of the 8th Board of Directors; the meeting decided that the Company invested RMB4 million together with Guoguang Eastern Network (Beijing) Co., Ltd. and Zhongxin New Technology Group Co., Ltd. set up joint venture Company, the registration capital was RMB20 million, of which, Konka Group invested RMB4 million, held 20% equity, Guoguang Eastern invested RMB12 million, held 60% equity, and Zhongxin Technology invested cash of RMB4 million, held 20% equity, As of the date of financial report issued, the joint venture company had not been established.

XIV. Other significant events

1. Lease

(1) The closing original price accumulated depreciation and accumulated impairment provision of all kinds of the rented fixed assets.

Particulars of the financing lease of the rented fixed assets, please refer to notes VI, 14, (3)

(2) Minimum lease payment will be paid in future

The remaining lease term	The minimum lease payment
Within 1 year (including 1 year)	123,076.96
Over 1 year and within 2 years (including 2 year)	41,025.60
Total	**164,102.56**

(3) The balance of unrecognized financing charges, and the method used to allocate the unrecognized financing charges.

As of the balance sheet date, the balance of unrecognized financing charges was RMB0.00; amortization method is the actual interest rate method.

(4) Category of fixed assets leased by operating lease, please refer to note VI, 14 (4)

2. The Company's subsidiary Mudajiang Konka. Changshu Konka had finished liquidation.

3. The Company’s subsidiary Chongqing Qingjia conducted liquidation after the complement of land purchasing and storage.

4 In order to meet the need of current business development of the Company and reduce the

financing cost, the Company held12th meeting of 8th Board of Directors on 2 Mar. 2016, the meeting reviewed and approved the Proposal on Application for the Entrusted Loan Amount from OCT Group Co., Ltd. The meeting agreed that the Company could apply entrust loans with amount no more than RMB5 billion from OCT Group Co., Ltd. in 2016,which withdrawn by stages, and the Company can sign entrust loan contract with bank and OCT Group Co., Ltd. within the amount of RMB5 billion. The meeting also agreed that the interest rate of entrust loan was lower than the benchmark interest rate for loan of People's Bank of China at same period. The transaction involving the interest no more than RMB0.2 billion the Company should pay to OCT Group Co., Ltd. within one year.

As for the aforesaid loan amount, the Company will in line with the actual demand of capital, and after reasonably measuring the capital cost, recognized the actual loan amount prudently.

5. On 6 April 2016, after the research of 13th Meeting of the 8th Board of Directors, the meeting decided that the subsidiary of the Company Yishijie invested RMB 5 million to set up Shenzhen Kangqiao Easy Chain Technology Co., Ltd., held 100% equity, As of the date of financial report issued, the joint venture company had established, but not yet registered, the Yishijie had invested RMB5000

6. On 15 June 2016,the Company held 18th Meeting of the 8th Board of Directors, the meeting decided that the Company invested RMB1.05 million together with Beijing Youpeng Pule Technology Co., Ltd. set up joint venture company, of which Konka Group invested RMB1.05 million, held 35% equity, Beijing Youpeng Pule invested RMB1.95 million, held 65% equity. As of the issue date financial statements, the joint venture company hadn't been set up.

7. Plan of non-public issue of stock

The Company plan to prepare the non-public issue of shares. Now the Company was negotiating with the potential objects upon the amount of non-public issue of stock, actively preparing the materials and sparing no effort to promote the relevant work. The relevant events were under processing and existing uncertainty.

XV. Notes of main items in the financial statements of the Company

1. Accounts receivable

(1) Accounts receivable disclosed by category

Category	Closing balance

	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	1, 162, 961, 905. 11	59. 30	202, 181, 435. 83	17. 39	960, 780, 469. 28
Group 2: related party group	766, 250, 582. 66	39. 07	—	—	766, 250, 582. 66
Subtotal of groups	1, 929, 212, 487. 77	98. 37	202, 181, 435. 83	10. 48	1, 727, 031, 051. 94
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	31, 921, 351. 77	1. 63	23, 745, 801. 52	74. 39	8, 175, 550. 25
Total	**1, 961, 133, 839. 54**	**100. 00**	**225, 927, 237. 35**	11. 52	**1, 735, 206, 602. 19**

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	1, 126, 362, 276. 00	68. 50	202, 746, 563. 72	18. 00	923, 615, 712. 28
Group 2: related party group	486, 174, 280. 87	29. 57	—	—	486, 174, 280. 87
Subtotal of groups	**1, 612, 536, 556. 87**	**98. 06**	**202, 746, 563. 72**	**12. 57**	**1, 409, 789, 993. 15**
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	31, 826, 201. 74	1. 94	23, 700, 918. 33	74. 47	8, 125, 283. 41
Total	**1, 644, 362, 758. 61**	**100. 00**	**226, 447, 482. 05**	**13. 77**	**1, 417, 915, 276. 56**

① In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	959, 857, 847. 60	19, 165, 753. 81	2. 00
1 to 2 years	14, 186, 252. 65	709, 312. 64	5. 00
2 to 3 years	4, 150, 606. 57	830, 121. 32	20. 00
3 to 4 years	6, 581, 900. 47	3, 290, 950. 24	50. 00
4 to 5 years	—	—	50. 00
Over 5 years	178, 185, 297. 82	178, 185, 297. 82	100. 00
Total	**1, 162, 961, 905. 11**	**202, 181, 435. 83**	

② In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

Name of the group	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	766, 250, 582. 66	—	—
Total	766, 250, 582. 66	—	—

(2) Reversed or recovered in the Report Period

The withdrawn bad debt provision of Reporting Period was of RMB520, 244.70.

(3) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB784, 409,655.48, 40.00% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB11, 289,845.42.

2. Other accounts receivable

(1) Other accounts receivable disclosed by category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	173, 061, 959. 33	13. 32	161, 250, 302. 55	93. 17	11, 811, 656. 78
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	—	—	—	—	—
Group 1: aging group	66, 480, 823. 25	5. 11	20, 786, 919. 32	31. 27	45, 693, 903. 93
Group 2: related party group	1, 060, 118, 132. 99	81. 57		0. 00	1, 060, 118, 132. 99
Subtotal of groups	1, 126, 598, 956. 24	86. 68	20, 786, 919. 32	1. 85	1, 105, 812, 036. 92

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—
Total	**1, 299, 660, 915. 57**	100. 00	**182, 037, 221. 87**	14. 01	1, 117, 623, 693. 70

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	173, 028, 147. 62	15. 48	160, 278, 852. 98	92. 63	12, 749, 294. 64
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	—	—	—	—	—
Group 1: aging group	75, 906, 726. 27	6. 79	19, 005, 412. 74	31. 11	56, 901, 313. 53
Group 2: related party group	868, 797, 189. 91	77. 73	—	—	868, 797, 189. 91
Subtotal of groups	**944, 703, 916. 18**	**84. 52**	**19, 005, 412. 74**	**2. 01**	**925, 698, 503. 44**
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—
Total	**1, 117, 732, 063. 80**	**100. 00**	**179, 284, 265. 72**	**16. 04**	**938, 447, 798. 08**

① Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Other accounts receivable (unit)	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Energy saving subsidy	141, 549, 150. 00	141, 549, 150. 00	100. 00	Irrecoverable due to policy changes
Chongqng Konka Auto Electronic Company	13, 396, 856. 82	13, 396, 856. 82	100. 00	Bankruptcy and liquidation
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18, 115, 952. 51	6, 304, 295. 73	34. 80	Assessment impairment
Total	173, 061, 959. 33	161, 250, 302. 55	93. 17	

② In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	17, 993, 808. 02	359, 915. 93	2.00
1 to 2 years	13, 030, 320. 40	651, 516. 02	5.00
2 to 3 years	16, 439, 531. 20	3, 287, 906. 24	20.00
3 to 4 years	2, 928, 420. 20	1, 464, 210. 10	50.00
4 to 5 years	2, 130, 744. 80	1, 065, 372. 40	50.00
Over 5 years	13, 957, 998. 63	13, 957, 998. 63	100.00
Total	66, 480, 823. 25	20, 786, 919. 32	

③ In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

Name of the group	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	1, 060, 118, 132. 99	—	—
Total	1, 060, 118, 132. 99	—	—

(2) Bad debt provision withdrawal, reversed or recovered in the Report Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB

2,752,956.14; the amount of the reversed or collected part during the Reporting Period was of RMB000.

(3) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Name of the entity	Nature	Closing balance	Aging	Proportion (%)	Bad debt provision Closing balance
Customer 1	Energy saving subsidy	141, 549, 150. 00	1-2years, 2-3 years	10.89	141,549,150.00
Customer 2	Intercourse funds	116, 212, 947. 56	Within 1 year	8.94	
Customer 3	Intercourse funds	103, 704, 436. 89	Within 1 year	7.98	
Customer 4	Intercourse funds	80, 213, 800. 38	Within 1 year	6.17	
Customer 5	Intercourse funds	74, 056, 032. 30	Within 1 year	5.70	
Total		**515, 736, 367. 13**		39.68	**141,549,150.00**

3. Long-term equity investment

(1) Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	1, 631, 742, 835. 91	77, 294, 984. 69	1, 554, 447, 851. 22	1, 623, 726, 835. 91	77, 294, 984. 69	1, 546, 431, 851. 22
Investment to joint ventures and associated enterprises	88, 208, 427. 13	—	88, 208, 427. 13	74, 763, 267. 00	—	74, 763, 267. 00
Total	**1, 719, 951, 263. 04**	**77, 294, 984. 69**	**1, 642, 656, 278. 35**	**1, 698, 490, 102. 91**	**77, 294, 984. 69**	**1, 621, 195, 118. 22**

(2) Investment to the subsidiary

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Mudangjiang electric appliances	36,000,000.00			36,000,000.00	—	36,000,000.00
Anhui Konka	122,780,937.98			122,780,937.98	—	—
Dongguan Konka	274,783,988.91			274,783,988.91	—	—
Hong Kong Konka	781,828.61			781,828.61	—	—

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Konka Europe	261,482.50			261,482.50	—	—
Nanhai Konka				0.00	—	—
Kunshan Konka	350,000,000.00			350,000,000.00	—	—
Plasthetics	4,655,000.00			4,655,000.00	—	—
Konka Household Appliances	10,732,485.69			10,732,485.69	—	10,732,484.69
Telecommunication Technology	90,000,000.00			90,000,000.00	—	—
Konka America	8,062,500.00			8,062,500.00	—	8,062,500.00
Information Network	22,500,000.00			22,500,000.00	—	22,500,000.00
Shushida	31,500,000.00			31,500,000.00	—	—
Chongqing Electronic				0.00	—	—
Fittings Technology	48,750,000.00			48,750,000.00	—	—
Kunshan Kangsheng	350,000,000.00			350,000,000.00	—	—
Anhui Tongchuang	69,702,612.22			69,702,612.22	—	—
Konka Optoelectronic	10,000,000.00			10,000,000.00	—	—
Wankaida	10,000,000.00			10,000,000.00	—	—
Beijing Konka	30,000,000.00			30,000,000.00	—	—
Shushida Logistics	10,000,000.00			10,000,000.00	—	—
Konka E-display	7,200,000.00			7,200,000.00	—	—

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Kaikai Shijie	16,000,000.00			16,000,000.00	—	—
Kangqiao Jiacheng	112,000,000.00			112,000,000.00	—	—
Commercial Technology	2,916,000.00	2,916,000.00		5,832,000.00	—	—
Mobile Internet	5,100,000.00	5,100,000.00		10,200,000.00	—	—
Total	**1,623,726,835.91**	**8,016,000.00**	—	**1,631,742,835.91**	—	**77,294,984.69**

(3) Investment to joint ventures

Investee	Opening balance	Increase/decrease in Reporting Period				
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Shanghai Konka Green Science & Technology Co., Ltd.	68, 250, 273. 03			3, 708, 640. 88	642, 894. 96	2, 689, 549. 20
Zhuhai Jinsu Plastic Co., Ltd.	6, 512, 993. 97			331, 516. 41		
Konka Intelligent Electric Appliance		6, 000, 000. 00		72, 558. 68		
Total	**74, 763, 267. 00**	**6, 000, 000. 00**	—	**4, 112, 715. 97**	**642, 894. 96**	**2, 689, 549. 20**

(Continued)

Investee	Increase/decrease in Reporting Period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Others		
Shanghai Konka Green Science & Technology Co., Ltd.				75, 291, 358. 07	
Zhuhai Jinsu Plastic Co., Ltd.				6, 844, 510. 38	—
Konka Intelligent Electric Appliance				6, 072, 558. 68	
Total	—	—	—	88, 208, 427. 13	—

4. Revenue and Cost of Sales

(1) Revenue and Cost of Sales

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	4, 302, 017, 760. 17	3, 585, 433, 823. 43	5, 206, 152, 132. 20	4, 497, 471, 865. 49
Other operations	2, 143, 962, 777. 99	2, 053, 325, 304. 25	2, 583, 414, 002. 88	2, 541, 927, 133. 83
Total	**6, 445, 980, 538. 16**	**5, 638, 759, 127. 68**	**7, 789, 566, 135. 08**	**7, 039, 398, 999. 32**

(2) Main operations (Classified by industry)

Industry	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Electronic industry	4, 302, 017, 760. 17	3, 585, 433, 823. 43	5, 206, 152, 132. 20	4, 497, 471, 865. 49
Total	4, 302, 017, 760. 17	3, 585, 433, 823. 43	**5, 206, 152, 132. 20**	**4, 497, 471, 865. 49**

(3) Main operations (Classified by product)

Product	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Color TV business	4, 081, 763, 878. 87	3, 396, 084, 238. 81	4, 941, 412, 033. 28	4, 263, 991, 650. 08
Consumer appliances business	175, 160, 620. 74	148, 984, 332. 14	257, 995, 693. 55	226, 820, 496. 00
Others	45, 093, 260. 56	40, 365, 252. 48	6, 744, 405. 37	6, 659, 719. 41
Total	**4, 302, 017, 760. 17**	**3, 585, 433, 823. 43**	**5, 206, 152, 132. 20**	**4, 497, 471, 865. 49**

(4) Main operations (Classified by area)

Area	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	3, 760, 982, 130. 37	3, 052, 781, 690. 91	4, 482, 238, 335. 25	3, 820, 646, 881. 53
Overseas sales	541, 035, 629. 80	532, 652, 132. 52	723, 913, 796. 95	676, 824, 983. 96
Total	**4, 302, 017, 760. 17**	**3, 585, 433, 823. 43**	**5, 206, 152, 132. 20**	**4, 497, 471, 865. 49**

(5) The revenue of sales from the top five customers

Period	Main operation revenue	Proportion of total business revenue
January-June 2016	1, 401, 966, 640. 64	21. 75
January-June 2015	1, 076, 825, 404. 57	13. 82

5. Investment income

Item	Reporting Period	Same period of last year
Dividend or profits measured by cost method declare to distribute by investment entity	1, 310, 000. 00	2, 014, 898. 95
Long-term equity investment income accounted by equity method	4, 112, 715. 97	-1, 682, 308. 76
Investment income arising from disposal of long-term equity investments		-491, 110. 76
Investment income received from holding of available-for-sale financial assets		2, 153, 880. 21
Investment income received from disposal of available-for-sale financial assets	15, 380. 40	
Income from trust management	15, 189, 925. 75	37, 377, 437. 29
Total	20, 628, 022. 12	39, 372, 796. 93

XVI. Supplementary materials

1. Items and amounts of extraordinary gains and losses

Item	Amount
Gains/losses on the disposal of non-current assets	5, 604, 580. 65
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	0. 00
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government RMB000.ees for acc	51, 949, 430. 12
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	0. 00
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments	0. 00
Gain/loss on non-monetary asset swap	0. 00
Gain/loss on entrusting others with investments or asset management	8, 514, 982. 48
Asset impairment provisions due to acts of God such as natural disasters	0. 00
Gains and losses from debt restructuring	0. 00
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.	0. 00
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices	0. 00
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date	0. 00
Profit and loss from contingencies irrelative to the normal business operations of company	0. 00
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company and normal businesses	-18, 141, 655. 39
Depreciation reserves returns of receivables with separate depreciation test	72, 735. 80
Gain/loss on entrustment loans	707, 777. 78
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method	0. 00
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	0. 00

Item	Amount
Custody fee income when entrusted with operation	0. 00
Other non-operating income and expenses other than the above	11, 582, 662. 03
Project confirmed with the definition of non-recurring gains and losses and losses	0. 00
Subtotal	**60, 290, 513. 47**
Income tax effects	13, 313, 484. 68
Minority interests effects (after tax)	5, 406, 144. 83
Total	**41, 570, 883. 96**

Notes: the number "+" among the non-current gains and losses items refers to profits and revenues, while "-"referred to losses or expenditure.

The recognition of the non-current gains and losses items was executed according to the regulations of No.1 of the Information Disclosure Explanatory Notice of the Companies Public Offering Securities-Non-current Gains and losses (Z-J-H-Announcement [2008] No. 43) .

Item	The amount of leased assets involved	Reason
Software tax returns	84, 594, 956. 03	Closely related to the normal operating business of the Company which met with the regulations of the state policies as well as constantly enjoyed the governmental subsidies according to certain standard quotas or quantities
Total	**84, 594, 956. 03**	

2. Return on equity and earnings per share

Profit as of Reporting Period	Weighted average ROE (%)	EPS（Yuan/share）	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	0. 46	0. 0053	0. 0053
Net profits attributed to the common shareholders after deducting the non-current gains and losses	-1. 02	-0. 0119	-0. 0119

Notes: (1) The corresponding ROEWA of the net profits attributed the common shareholders of the Company =12,834,736.76/(2,814,382,870.81-15,158,638.24/2+2,689,549.2*1/6)

The corresponding ROEWA of the net profits attributed the common shareholders after deducting the non-current gains and losses= (12,834,736.76-41,570,883.96)/(2,814,382,870.81-15,158,638.24/2+2,689,549.2*1/6)

Section X Documents Available for Reference

I Financial statements signed and sealed by the head of the Company, the accounting head for the Report, and the head of the accounting organ (the head of accounting);

II Originals of all the announcements and documents that the Company disclosed on the newspaper designated by the CSRC in the Reporting Period; and

III Other relevant materials.

The Board of Directors

Konka Group Co., Ltd.

29 August 2016