

KONKA GROUP CO., LTD.

SEMI-ANNUAL REPORT 2017

2017-44

August 2017

Section I Important Statements, Contents and Definitions

The board of directors (the “Board”), the supervisory board (the “Supervisory Board”) 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 this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

Liu Fengxi, head of the Company, Li Chunlei, accounting head for this Report, and Feng Junxiu, head of the accounting department (head of accounting), hereby guarantee that the Financial Report carried in this Report is factual, accurate and complete.

All the directors attended the board meeting for the review of this Report.

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as virtual promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to investment risk.

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

This 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.

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Definitions

Term	Definition
Company, the Company, the Group	Konka Group Co., Ltd.
Telecommunication Technology	Shenzhen Konka Telecommunications Technology Co., Ltd.
Konka Household Appliances	Shenzhen Konka Household Appliances 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.
Boluo Konka	Boluo Konka PCB Co., Ltd.
Boluo Konka 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 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.
Zhongkang Supply Chain		Zhongkang Supply Chain Management Co., Ltd.
Kangqiao Easy Chain		Shenzhen Kangqiao Easy Chain Technology Co., Ltd.
E3info		E3info (Hainan) Technology Co., Ltd.
Konka Technology & Industry Development		Chuzhou Konka Technology & Industry Development Co., Ltd.
Kangzhi Trade		Anhui Kangzhi Trade Co., Ltd.
CSRC		The China Securities Regulatory Commission
SZSE		The Shenzhen Stock Exchange
CSRC Shenzhen		The Shenzhen branch of the China Securities Regulatory Commission
RMB, RMB'0,000		RMB yuan, RMB ten thousand yuan

Section II Corporate Profile and Key Operating Results

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

Indicate by tick mark whether any changes 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

No changes occurred to the said information during the Reporting Period, which can be found in the 2016 Annual Report.

2. Information Disclosure Media and Place where this Report is Kept

Indicate by tick mark whether any changes occurred to the information disclosure media and the

place where this Report was 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 this Report and the location where this Report was placed did not change during the Reporting Period. The said information can be found in the 2016 Annual Report.

IV Key Consolidated Operating Results

Indicate by tick mark whether the Company needs to retroactively restate any of its accounting data.

Yes No

	Reporting Period	Same period of last year	+/- (%)
Operating revenues (RMB)	11,405,965,979.43	8,609,080,822.24	32.49%
Net profit attributable to shareholders of the Company (RMB)	30,871,267.86	12,834,736.76	140.53%
Net profit attributable to shareholders of the Company before exceptional gains and losses (RMB)	-44,456,212.17	-28,736,147.20	-54.70%
Net cash from operating activities (RMB)	-2,264,014,704.88	-125,542,056.42	-1,703.39%
Basic earnings per share (RMB/share)	0.0128	0.0053	141.51%
Diluted earnings per share (RMB/share)	0.0128	0.0053	141.51%
Weighted average return on equity (%)	1.06%	0.46%	0.60%
	End of Reporting Period	End of last year	+/- (%)
Total assets (RMB)	20,666,059,935.37	17,243,119,597.97	19.85%
Net assets attributable to shareholders of the Company (RMB)	2,928,936,565.96	2,901,481,607.04	0.95%

V Differences in Accounting Data under Domestic and Foreign Accounting Standards

1. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and International Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

2. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and Foreign Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

VI Exceptional Gains/Losses

Applicable Not applicable

Unit: RMB

Item	Reporting Period	Note
Gains/losses on disposal of non-current assets (including offset asset impairment provisions)	32,560,637.29	
Governmental subsidies charged to gains/losses for Reporting Period (except for government grants closely related to business of the Company and given at a fixed quota or amount in accordance with government's uniform standards)	79,034,666.86	
Gains/losses on investment or asset management entrustments to third parties	30,058,960.78	
Gains/losses on fair value changes of financial assets and liabilities held for trading & investment income from disposal of financial assets and liabilities held for trading as well as financial assets available for sale, except for effective hedges related to normal business operations of the Company	-61,493,877.60	
Gains/losses on entrusted loans	280,538.52	
Non-operating income and expense other than above	8,144,500.65	
Less: Income tax effects	12,549,958.46	
Minority interests effects (after tax)	707,988.01	
Total	75,327,480.03	--

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

Applicable Not applicable

Item	Amount involved (RMB)	Reason
Tax rebates on software	35,115,965.51	Government grants closely related to the Company's normal business operations and constantly given at fixed quotas or amounts as per government's uniform standards

Section III Business Profile

I Main Business Scope for Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

Currently, the Company offers, among other things, color TVs, supply chain services, white goods and mobile phones. Its main business models are specified as follows:

(I) Color TVs

The Company provides color TVs for both domestic and overseas markets. It also offers Internet TV services.

The domestic sales of the Company's color TVs are realized mainly through B2B (Business-to-Business) and B2C (Business-to-Consumer), with its branch companies, business departments and after-sales maintenance points operating across the country. And the Company profits from the margins between the costs and the selling prices of its color TVs.

In the overseas sales, the Company mainly relies on B2B. Its color TVs are sold to Asia Pacific, Middle East, Central & South America, East Europe, etc. And the main profit source is also the differences between the costs and the selling prices of its color TVs.

The Company offers Internet TV services based on the smart TVs it has sold to end users. Firstly, it works with other Internet companies to provide end users with, among other content, video, educational, music, medical and game content to generate earnings. Secondly, it analyses user behaviors and offer certain free, interactive services to increase attractiveness to users, promote its brand and stimulate desire for its hardware products. Finally, it is trying to build an Internet TV platform with tens of millions of users, on which it will profit through commercial and application distribution. This Internet TV business is key to the Company's Internet-oriented transformation and upgrade to a development model of "hardware + software" and "smart TV + end users".

(II) Supply Chain Services

The Company trades IC components, LCD panels, metal materials and other products in the supply chains for the Company's existing products. This can help the Company establish good relationships with its upstream suppliers and downstream customers, learn about the prices of the materials used in its production in a timely manner, and control costs of its existing products. In addition, the Company also intends to provide supply chain services integrating commercial, logistics and information handling services to create a new growth point for the future.

(III) White Goods

The white goods produced by the Company mainly include refrigerators, washing machines, air

conditioners, freezers, etc., which are sold through B2B and B2C mainly to the domestic market. And the Company profits from the margins between the costs and the selling prices of its white goods.

(IV) Mobile Phones

The mobile phones of the Company are sold to both the domestic and overseas markets. The overseas sales mainly rely on B2B and the profit comes from the margins between the costs and the selling prices of the mobile phones. As for the domestic sales of its mobile phones, the Company relies on B2B and B2C, and profits mainly from the costs and the selling prices of its products and slightly from the related value added services.

II Significant Changes in Main Assets

1. Significant Changes in Main Assets

Main assets	Reason for significant change in Reporting Period
Equity assets	New joint stock companies such as Guangdong Chutian Dragon Smart Card Co., Ltd. and Shenzhen Yaode Technology Co., Ltd.
Fixed assets	No significant changes
Intangible assets	No significant changes
Construction in progress	Increased investments in Kunshan Zhouzhuang hotel in construction, etc.

2. Main Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

Is the Company subject to any disclosure requirements for special industries?

No.

The Company's competitive edges include, among other things, its R&D ability, marketing network and manufacturing capability. Through resource integration, the Company will vigorously try to make substantial breakthroughs in intelligent products, cloud computing, application of the Internet technology, application software, etc. It will also strengthen technical innovation to increase its overall competitiveness.

Section IV Performance Discussion and Analysis

I Summary

For the Reporting Period, the Company achieved, on a consolidated basis, operating revenues of RMB11.406 billion, up 32.49% compared to the same period of last year; net profit attributable to the Company's shareholders of RMB30.8713 million, representing a year-on-year rise of 140.53%; and earnings per share (EPS) of RMB0.0128.

In the Reporting Period, the Company proactively promoted reform in its system and kept integrating resources to accelerate transformation. As a result, its efforts have been rewarded by improved earnings. The work that the Company has accomplished in the Reporting Period is detailed as follows:

1. In the Reporting Period, the Company continued to promote reform in its system. New senior management has been hired through an open recruitment in the first quarter of this year. Meanwhile, certain business units are carrying out a market-oriented reform in a steady manner.
2. In the Reporting Period, the Company made good use of its partners' resource advantages. The Company and China Mobile have jointly launched the Migu-Konka TV. In addition, the Company has become a top sponsor of the Jiangsu Suning Football Club. These moves will help set up win-win cooperations. In addition, the Company has signed on July 28, 2017 to be an official partner of La Liga in China, which will bring new vitality to the Company's brand.
3. The Reporting Period saw a significant year-on-year increase in both the operating revenues and net profit generated by the Company's smart TV operation business. Moreover, the Company has developed on its own a series of new products including E-learning, E-shopping, K Video and World of Games, increasing attractiveness to users and the soft power in brand, as well as promoting the upgrade in its main business from a traditional model of profiting through adding value on hardware to a new model of "hardware + software" and "smart TV + end users".
4. In the Reporting Period, the Company integrated the development, production and supply chain systems and optimized the product structure, trying to provide more competitive products. The increasingly fierce market competition and the rising prices of raw materials, however, led to decreased gross profit margins and losses in certain of the Company's main business segments (including color TVs and white goods).
5. Exceptional gains and losses have an effect of RMB75.3275 million on net profit in the Reporting Period.

II Analysis of Main Business

Summary:

See “I Summary” above.

Year-on-year changes of key financial data:

Unit: RMB

	Reporting Period	Same period of last year	+/-%	Main reason for change
Operating revenues	11,405,965,979.43	8,609,080,822.24	32.49%	Increased revenue from provision of supply chain services
Operating costs	10,110,191,258.07	7,177,725,092.42	40.86%	Increased costs in provision of supply chain services
Selling expense	974,003,306.54	1,109,146,923.61	-12.18%	
Administrative expense	264,108,100.97	290,919,290.02	-9.22%	
Finance costs	110,882,895.46	68,373,432.00	62.17%	Increases in borrowings secured and in interest expense on borrowings
Income taxes	-3,838,772.97	705,997.10	-643.74%	
R&D expense	96,753,027.87	88,336,972.44	9.53%	
Net cash from operating activities	-2,264,014,704.88	-125,542,056.42	-1,703.39%	Increase in cash paid for goods
Net cash from investing activities	-1,580,867,932.13	-63,713,124.67	-2,381.23%	New investments in joint stock companies and increased investments in wealth management instruments
Net cash from financing activities	4,161,145,047.39	1,154,153,257.89	260.54%	Increase in borrowings secured
Net increase in cash and cash equivalents	305,883,134.09	981,795,915.13	-68.84%	

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

Applicable Not applicable

No such cases in the Reporting Period.

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	6,808,860,299.10	5,693,408,104.76	16.38%	-11.85%	-11.01%	-0.79%
Supply chain	4,307,330,068.12	4,247,646,007.45	1.39%	715.73%	720.30%	-0.55%
By product						
Color TVs	5,289,992,150.21	4,431,743,317.09	16.22%	-1.45%	-0.83%	-0.53%
Supply chain	4,307,330,068.12	4,247,646,007.45	1.39%	715.73%	720.30%	-0.55%
White goods	891,933,843.48	726,049,054.97	18.60%	7.49%	12.04%	-3.30%
Mobile phones	420,602,444.99	365,383,403.95	13.13%	-10.84%	-12.05%	1.19%
Others	206,331,860.42	170,232,328.75	17.50%	-60.84%	-51.06%	-16.49%
By geographic segment						
Domestic	7,343,613,290.29	6,314,287,989.74	14.02%	41.87%	56.89%	-8.23%
Overseas	3,772,577,076.93	3,626,766,122.47	3.87%	48.06%	52.83%	-3.00%

III Non-Core Business Analysis

√ Applicable □ Not applicable

Unit: RMB

	Amount	As a percentage of total profit (%)	Source/reason	Recurring
Investment income	67,005,572.06	219.28%	Income from wealth management instruments and sale of available-for-sale financial assets	Not
Gains and losses on fair value changes	-103,077,757.73	-337.32%	Changes in fair value of financial assets held for trading and forward forex contracts	Not
Asset impairment	2,271,042.76	7.43%		Not
Non-operating income	123,347,108.29	403.65%	Governmental subsidies and gains on disposal of intangible assets	Tax rebates on software are recurring while the others are uncertain
Non-operating expense	3,635,538.11	11.90%		Not

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	End of Reporting Period		End of same period of last year		Change in percentage (%)	Main reason for significant change
	Amount	As a percent age of total assets (%)	Amount	As a percenta ge of total assets (%)		
Monetary funds	2,490,079,604.07	12.05%	2,598,216,832.20	17.46%	-5.41%	
Accounts receivable	1,966,918,540.02	9.52%	2,041,011,200.19	13.71%	-4.19%	
Inventories	6,374,483,463.58	30.85%	2,925,556,540.93	19.66%	11.19%	
Investment property	219,271,267.11	1.06%	224,902,541.38	1.51%	-0.45%	
Long-term equity investments	629,257,019.68	3.04%	276,561,119.65	1.86%	1.18%	
Fixed assets	1,544,239,052.29	7.47%	1,604,828,298.83	10.78%	-3.31%	
Construction in progress	404,450,172.08	1.96%	173,840,293.07	1.17%	0.79%	
Short-term borrowings	10,744,965,110.13	51.99%	4,588,542,749.93	30.83%	21.16%	
Long-term borrowings	70,000,000.00	0.34%	0.00	0.00%	0.34%	

2. Assets and Liabilities Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Gains/losses on fair value changes in Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in Reporting Period	Purchased in Reporting Period	Sold in Reporting Period	Closing balance
Financial assets							
1. Financial assets at	252,084,994.12						168,120,900.00

fair value through gains/losses (exclusive of derivative financial assets)							
3. Available-for-sale financial assets	55,777,425.00						40,665,244.82
Subtotal of financial assets	307,862,419.12						208,786,144.82
Total of above	307,862,419.12						208,786,144.82
Financial liabilities	337,263.13						20,181,325.74

Significant changes in the measurement attributes of the main assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as of End of the Reporting Period

As of the end of the Reporting Period, there were no such circumstances where any main assets of the Company were sealed, distrained, frozen, impawned, pledged, conditionally cashable, non-cashable or incapable of being used as substitution for debt.

V Investments Made

1. Total Investments Made

Applicable Not applicable

Investments made in Reporting Period (RMB)	Investments made in same period of last year (RMB)	+/-%
326,090,459.58	6,010,455.00	5325.39%

2. Significant Equity Investments Made in Reporting Period

Applicable Not applicable

Unit: RMB

Investee	Main business	Way of investment	Amount of investment	The Company's shareholding	Source of investment funds	Partners	Term of investment	Type of investment products	Progress as of balance sheet date	Projected earnings	Gain/loss for Reporting Period	Lawsuits involved	Disclosure date (if any)	Index to disclosed information (if any)
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Guangdong Chutian Dragon Smart Card Co., Ltd.	Manufacturing and marketing of smart card	Acquisition	588,000,000.00	24%	The Company's own funds	Zhengzhou XiangHongWan Enterprise Management Co., Ltd. and Zhengzhou Eastern Spirit Enterprise Management Center	Undetermined	Undetermined	Investment agreement signed and ownership transfer with industrial and commercial administration completed	0	0	Not	06/30/2017	www.cninfo.com.cn
Total	--	--	588,000,000.00	--	--	--	--	--	--	0	0	--	--	--

3. Significant Non-Equity Investments Ongoing in Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Project	Way of investment	Investment in fixed assets or not	Industry	Investment in Reporting Period	Total actual investment as of end of Reporting Period	Source of investment funds	Project progress	Project earnings	Total earnings as of end of Reporting Period	Reason for falling behind schedule or not achieving projected earnings	Disclosure date (if any)	Index to disclosed information (if any)
Renewal of plants at Konka Headquarters	Direct investment		Commercial estate	17,620,000	1,016,690,000	The Company's own funds	14.73%	Undertained	0	N/A	11/21/2014	www.cninfo.com.cn
Kunshan Shuiyue Zhouzhua	Direct investment	25% is invested in fixed	Real estate, hotel manage	537,580,000	1,685,930,000	The Company's	57.095%	Undertained	13,133,552	N/A	07/06/2010	

Project Name	Investment Type	Assets	Investment	Initial Investment	Current Investment	Company's Own Funds	Percentage	Status	Amount	Notes	Completion Date	Other
Konka Technological Innovation Center	Direct investment		Electronics	76,657,814.5	76,657,814.5	The Company's own funds	17%	Undertaken	0	N/A	12/30/2016	
New plants in Dongguan	Direct investment		Electronics	0	0	The Company's own funds	0%	Undertaken	0	N/A	03/11/2017	
Total	--	--	--	631,857,814.50	2,779,277,814.50	--	--		13,133,552	--	--	--

Notes:

- (1) Concerning the renewal project of plants at the Konka Headquarters, overall planning and geological survey is underway.
- (2) Regarding the Kunshan Shuiyue Zhouzhuang project, Phases III and IV are in construction and the pre-sale of Phase III has been substantially completed.
- (3) In regard to the Konka Technological Innovation Center project, the related land use right transfer agreement has been signed and planning is underway.
- (4) As for the project of new plants in Dongguan, preparations are underway and the Company is waiting for the local government to put out the project target land for bids.

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement model	Opening book value	Gain/loss on fair value changes in Reporting Period	Cumulative fair value changes charged to equity	Purchased in Reporting Period	Sold in Reporting Period	Gain/loss in Reporting Period	Closing book value	Accounting title	Source of investment funds
Domestic/Foreign stock	300605	HFXX	4,671.80	Fair value method	0	0	0	4,671.80	24,601.50	19,929.70	0	Available-for-sale financial assets	The Company's own funds

Domes tic/For eign stock	300610	CHGF	3,371.8 3	Fair value method	0	0	0	3,371.8 3	14,788. 84	11,417. 01	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300609	HNKJ	3,369.8 0	Fair value method	0	0	0	3,369.8 0	25,605. 50	22,235. 70	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2848	GSBE	4,417.0 0	Fair value method	0	0	0	4,417.0 0	26,110. 00	21,693. 00	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2849	WXZN	3,575.6 8	Fair value method	0	0	0	3,575.6 8	19,092. 00	15,516. 32	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300611	MLKJ	3,579.0 3	Fair value method	0	0	0	3,579.0 3	17,312. 10	13,733. 07	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2850	KLD	22,997. 00	Fair value method	0	0	0	22,997. 00	85,201. 70	62,204. 70	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2851	MGMT	4,016.1 0	Fair value method	0	0	0	4,016.1 0	26,400. 00	22,383. 90	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300616	SPZP	20,109. 50	Fair value method	0	0	0	20,109. 50	68,080. 00	47,970. 50	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For	300618	HRGY	5,689.6 5	Fair value	0	0	0	5,689.6 5	48,583. 67	42,894. 02	0	Availabl e-for-sal	The Comp

eign stock				method								e financia l assets	any's own funds
Domes tic/For eign stock	2852	DDQ	17,832. 10	Fair value method	0	0	0	17,832. 10	60,255. 60	42,423. 50	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300620	GKKJ	2,766.0 6	Fair value method	0	0	0	2,766.0 6	14,648. 26	11,882. 20	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300622	BSYJ	1,916.8 5	Fair value method	0	0	0	1,916.8 5	9,145.5 0	7,228.6 5	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300623	JJWD	5,526.0 0	Fair value method	0	0	0	5,526.0 0	19,200. 00	13,674. 00	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300621	WYGF	4,016.2 0	Fair value method	0	0	0	4,016.2 0	15,878. 00	11,861. 80	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300625	SXJG	10,885. 20	Fair value method	0	0	0	10,885. 20	32,881. 20	21,996. 00	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2856	MZGF	3,831.3 0	Fair value method	0	0	0	3,831.3 0	13,530. 00	9,698.7 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2855	JRJS	3,256.9 2	Fair value method	0	0	0	3,256.9 2	14,178. 06	10,921. 14	0	Availabl e-for-sal e financia l assets	The Comp any's own funds

												l assets	funds
Domes tic/For eign stock	300626	HRGF	2,362.5 0	Fair value method	0	0	0	2,362.5 0	11,428. 20	9,065.7 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300627	HCDH	2,949.8 7	Fair value method	0	0	0	2,949.8 7	14,666. 19	11,716. 32	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300630	PLZY	4,389.1 8	Fair value method	0	0	0	4,389.1 8	16,808. 00	12,418. 82	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2774	KYDT	5,124.0 0	Fair value method	0	0	0	5,124.0 0	18,480. 00	13,356. 00	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2859	JMKJ	6,798.9 6	Fair value method	0	0	0	6,798.9 6	16,005. 60	9,206.6 4	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300635	DAGF	3,605.4 9	Fair value method	0	0	0	3,605.4 9	10,999. 80	7,394.3 1	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300632	GPGF	2,549.5 5	Fair value method	0	0	0	2,549.5 5	9,487.5 0	6,937.9 5	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2860	XSE	3,506.3 7	Fair value method	0	0	0	3,506.3 7	9,522.6 0	6,016.2 3	0	Availabl e-for-sal e financia l assets	The Comp any's own funds

Domes tic/For eign stock	300639	KPSW	2,850.4 5	Fair value method	0	0	0	2,850.4 5	8,339.0 0	5,488.5 5	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300637	YFXC	3,316.6 2	Fair value method	0	0	0	3,316.6 2	9,648.6 5	6,332.0 3	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2861	YTTX	4,485.0 0	Fair value method	0	0	0	4,485.0 0	11,960. 00	7,475.0 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2863	JFKD	3,101.6 8	Fair value method	0	0	0	3,101.6 8	13,402. 88	10,301. 20	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300641	ZDGF	6,438.0 0	Fair value method	0	0	0	6,438.0 0	15,600. 00	9,162.0 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2865	JDGF	2,787.4 0	Fair value method	0	0	0	2,787.4 0	8,602.4 4	5,815.0 4	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2866	CYKJ	4,850.8 0	Fair value method	0	0	0	4,850.8 0	13,140. 60	8,289.8 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2867	ZDS	9,940.0 8	Fair value method	0	0	0	9,940.0 8	22,355. 20	12,415. 12	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For	2868	LKSH	4,286.4 0	Fair value	0	0	0	4,286.4 0	12,097. 80	7,811.4 0	0	Availabl e-for-sal	The Comp

eign stock				method								e financia l assets	any's own funds
Domes tic/For eign stock	300647	CP3	1,711.3 6	Fair value method	0	0	0	1,711.3 6	6,952.4 0	5,241.0 4	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300643	WTZK	2,119.9 0	Fair value method	0	0	0	2,119.9 0	9,860.0 0	7,740.1 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2869	JYKJ	4,054.8 0	Fair value method	0	0	0	4,054.8 0	9,207.0 0	5,152.2 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2870	XSGF	5,518.8 0	Fair value method	0	0	0	5,518.8 0	11,188. 80	5,670.0 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300652	LDK	3,985.8 8	Fair value method	0	0	0	3,985.8 8	9,364.8 1	5,378.9 3	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2872	TSZY	11,945. 58	Fair value method	0	0	0	11,945. 58	24,350. 40	12,404. 82	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300655	JRGF	1,557.0 0	Fair value method	0	0	0	1,557.0 0	8,214.7 5	6,657.7 5	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300657	HXDZ	2,027.9 7	Fair value method	0	0	0	2,027.9 7	9,839.7 0	7,811.7 3	0	Availabl e-for-sal e financia l assets	The Comp any's own funds

												l assets	funds
Domes tic/For eign stock	300659	ZFXX	2,659.9 5	Fair value method	0	0	0	2,659.9 5	8,617.4 1	5,957.4 6	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300658	YJGF	3,726.7 2	Fair value method	0	0	0	3,726.7 2	8,361.6 0	4,634.8 8	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300660	JSLI	13,701. 87	Fair value method	0	0	0	13,701. 87	27,395. 55	13,693. 68	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2877	ZNZK	2,049.6 0	Fair value method	0	0	0	2,049.6 0	7,654.2 8	5,604.6 8	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300663	KLRJ	2,617.2 0	Fair value method	0	0	0	2,617.2 0	10,260. 00	7,642.8 0	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300662	KRGJ	3,353.6 0	Fair value method	0	0	0	3,353.6 0	13,194. 24	9,840.6 4	0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2879	CLKJ	6,270.9 6	Fair value method	0	0	0	6,270.9 6	0.00	0.00	6,270.9 6	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2880	WGSW	6,779.7 0	Fair value method	0	0	0	6,779.7 0	20,903. 40	14,123. 70	0	Availabl e-for-sal e financia l assets	The Comp any's own funds

Domes tic/For eign stock	300666	JFDZ	1,624.0 0	Fair value method	0	0	5,057.5 0	1,624.0 0	0	0	6,681.5 0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2881	MGZN	2,804.4 8	Fair value method	0	0	4,350.7 0	2,804.4 8	0	0	7,155.1 8	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	2882	JLY	5,232.8 0	Fair value method	0	0	0	5,232.8 0	0	0	5,232.8 0	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300669	HNGF	1,551.0 0	Fair value method	0	0	905.22	1,551.0 0	0	0	2,456.2 2	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300670	DYZN	2,306.2 3	Fair value method	0	0	0	2,306.2 3	0	0	2,306.2 3	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300671	FMDZ	2,132.9 3	Fair value method	0	0	0	2,132.9 3	0	0	2,132.9 3	Availabl e-for-sal e financia l assets	The Comp any's own funds
Domes tic/For eign stock	300241	RFGD	232,71 1,950	Fair value method	212,19 0,150	-44,069 ,250	0	0	0	-44,069 ,250	168,12 0,900	Financi al assets held for trading	The Comp any's own funds
Other securities investments held at period-end			0	--	0	0	0	0	0	0	0	--	--
Total			233,00 0,852	--	212,19 0,150	-44,069 ,250	10,313. 42	288,90 2.70	943,40 0.73	-43,392 ,829.57	168,15 3,135.8 2	--	--
Disclosure date of announcement about Board's consent for						N/A							

securities investment	
Disclosure date of announcement about shareholders' meeting's consent for securities investment (if any)	N/a

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

Unit: RMB'0,000

Capital source for derivative investment	U.S. dollar financings
Lawsuits involved (if applicable)	N/A
Disclosure date of board announcement approving derivative investment (if any)	05/24/2014
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	06/10/2014
Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	We engage in forward forex transactions to reduce the currency risk when securing foreign-currency 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 prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	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 accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period	None
Opinion of independent directors on derivative investments and risk	It is considered necessary for the Company to lock in foreign-currency financing costs through financial instruments, because it could effectively reduce the currency risk when securing foreign-currency financing. The Company has formulated the internal control

control	mechanism for investment in derivative financial instruments, and the relevant risk control measures that the Company has taken are considered effective.
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Unit: RMB'0,000

Type of derivative financial instrument	Opening contractual amount	Closing contractual amount	Gain/loss in Reporting Period	Closing investment amount as a percentage of the Company's closing net assets
Forward forex contract	137,247.18	154,742.17	-7,440.04	52.83%

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

Transaction party	Equities sold	Date of sale	Transaction price (RMB'0,000)	Net profit contributed to the Company from period beginning to date of sale (RMB'0,000)	Effect on the Company	Ratio of net profit contributed by sale of equities to the Company's total net profit (%)	Pricing principle	Related transaction or not	Relationship between transaction party and the Company	Ownership of all involved equities transferred or not	Executed as scheduled or not	Disclosure date	Index to disclosed information
Undetermined	A 22.935% stake in Enraytek Optoelectronics Co., Ltd.	Undetermined	Not lower than assessed value	N/A	Optimizing the Company's allocation of assets, generating cash	Undetermined	Not lower than assessed value	Not	Undetermined	Not yet	N/A	05/23/2017	www.cninfo.com.cn

Undetermined	A 51% stake in Kunshan Konka Electronics Co., Ltd.	Undetermined	Not lower than assessed value	N/A	inflows, increasing assets' liquidity and improving the Company's earnings	Undetermined	Not lower than assessed value	Not	Undetermined	Not yet	N/A	06/30/2017	www.cninfo.com.cn
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VII Main Controlled and Joint Stock Companies

√ Applicable □ Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit:

Unit: RMB

Company name	Relationship with the Company	Main business scope	Industry	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Shenzhen Wankaida Science and Technology Co., Ltd.	Subsidiary	Software technology development and maintenance	Electronics	RMB1000000	472,891,636.33	465,508,703.97	54,228,020.00	81,671,523.46	69,478,601.92
Anhui Konka Tongchuan Household Appliances Co., Ltd.	Subsidiary	Production and sale of refrigerators, washing machines and other household appliances	Electronics	RMB18000000	1,040,624,838.22	-29,126,245.04	871,446,615.97	-14,227,209.36	7,782,918.28
Anhui Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	Electronics	RMB14000000	1,187,112,855.77	360,481,619.46	2,399,150,981.00	7,650,066.73	8,748,900.14
Shenzhen Konka Telecommu	Subsidiary	Production and sale of mobile	Electronics	RMB12000000	407,954,026.32	-260,159,027.64	373,531,836.22	-33,733,955.64	-25,459,578.65

Communications Technology Co., Ltd.		communication products							
Kunshan Konka Electronic Co., Ltd.	Subsidiary	Production and sale of TFT-LCM and multimedia products	Electronics	RMB35000000	636,259,459.25	344,833,020.52	950,905,556.31	-6,077,554.37	31,562,218.31
Dongguan Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	Electronics	RMB266670000	750,211,773.74	636,941,333.48	225,543,577.24	-2,682,374.63	-254,382.34
Hong Kong Konka Co., Ltd.	Subsidiary	Export & import of electromechanical and electronics	Electronics	HKD500000	1,604,475,725.51	144,055,810.63	1,236,250,447.74	37,968,843.05	33,706,379.72
Kunshan Kangsheng Investment Development Co., Ltd.	Subsidiary	Real estate and hotels	Real estate and hotels	RMB350000000	1,574,104,261.87	363,133,551.80	3,045,238.10	-11,055,364.63	-7,539,785.20
ChainKingdom Co., Limited	Subsidiary	International trading	Trading	USD1500000	682,117,876.78	20,578,468.84	1,677,581,838.88	11,993,097.54	10,006,349.46

Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

Subsidiary	How subsidiary was obtained or disposed in Reporting Period	Effects on overall production and operating results
Anhui Kangzhi Trade Co., Ltd.	Incorporated by investment	No significant effects
Anhui Konka Household Appliances Co., Ltd.	Consolidated by merger, cancellation formalities completed with industrial and commercial administration	No significant effects

There is no other important information about the controlled and joint stock companies in the Reporting Period of which disclosure is required.

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Performance Forecast for January-September 2017

Warning of possible loss or considerable YoY change in the accumulative net profit made during the period-beginning to the end of the next reporting period, as well as the reasons:

Applicable Not applicable

X Risks Facing the Company and Countermeasures

The Company is mainly in face of the following risks:

The color TV market has entered a mature stage with slow growth in size. According to a research institution, the first half of 2017 saw a year-on-year drop of 7.3% in the retail sales volume of color TVs on the domestic market, which would do no good to the sales volume of the Company's color TVs. In addition, the increasingly fierce competition on the color TV market, the continuous price competition among Internet TV brands, the flooding-in of foreign brands, and the significant price rises of raw materials (panel, etc.) in the Reporting Period, are bringing down the gross profit margins of the Company's main business segments (color TVs, white goods, etc.).

To cope with these risks, the Company will adopt measures such as adjusting its hardware product mix, increasing its products' competitiveness, being more professional in user operation, improving its capability of Internet TV operation and strengthening internal management.

Section V Significant Events

I Annual and Special Meetings of Shareholders Convened during the Reporting Period

1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The First Special Meeting of Shareholders in 2017	Special Meeting of Shareholders	2.65%	03/06/2017	03/07/2017	www.cninfo.com.cn
The 2016 Annual Meeting of Shareholders	Annual Meeting of Shareholders	37.09%	04/24/2017	04/25/2017	
The Second Special Meeting of Shareholders in 2017	Special Meeting of Shareholders	37.19%	06/09/2017	06/10/2017	

2. Special Meetings of Shareholders Convened at Request of Preference Shareholders with Resumed Voting Rights

Applicable Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for the Reporting Period

Applicable Not applicable

For the Reporting Period, the Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.

III Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in the Reporting Period or still Ongoing at Period-End

Applicable Not applicable

No such cases in the Reporting Period

IV Engagement and Disengagement of CPAs Firm

Has the semi-annual financial report been audited?

Yes No

This Semi-Annual Report is unaudited.

V Explanations Given by Board of Directors and Supervisory Board Regarding “Modified Auditor’s Report” Issued by CPAs Firm for the Reporting Period

Applicable Not applicable

VI Explanations Given by Board of Directors Regarding “Modified Auditor’s Report” Issued for Last Year

Applicable Not applicable

VII Bankruptcy and Restructuring

Applicable Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits or arbitrations:

Applicable Not applicable

No such cases in the Reporting Period.

Other legal matters:

Applicable Not applicable

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB'0,000)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
As for the details, please refer to the Notes 2. Description of the Contingencies of the Commitments and the Contingencies of Chapter XII of the Notes to the Financial Report. Because the involved amount was small, there was no need to fulfill the obligation of information disclosure.							

IX Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

X Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

Applicable Not applicable

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable Not applicable

No such cases in the Reporting Period.

XII Significant Related Transactions

1. Related Transactions Relevant to Routine Operations

Applicable Not applicable

Related party	Relation ship	Type of the relat ed-p arty tran sact ion	Con tent of the relat ed-p arty tran sact ion	Pric ing prin cipl e of the relat ed-p arty tran sact ion	Tran sact ion pric e	Trans action amou nt (RMB'0,0 00)	Propo rtion in same kind of transac tions	Appro ved transac tion quota (RMB '0,000)	Wh ethe r exc eed the app roved quo ta	Settl eme nt meth od of the relat ed-p arty tran sact ion	Sim ilar mar ket pric e	Disc losu re date	Discl osure index
Anhui Huali Packing Co., Ltd.	Under the same actual controller	Pur chas e of com mod ities	Pur chas e of mat erial s	Neg otia ted pric e	Mar ket pric e	2,453		4,500	No	Cash	Not appl icab le	03/31/2017	www.cninfo.com.cn
Suzhou Huali Environment Protection Packaging Technology Co., Ltd	Under the same actual controller	Pur chas e of com mod ities	Pur chas e of mat erial s	Neg otia ted pric e	Mar ket pric e	728		1,500	No	Cash	Not appl icab le		
Huali Packing (Huizhou) Co., Ltd.	Under the same actual controller	Pur chas e of com mod ities	Pur chas e of mat erial s	Neg otia ted pric e	Mar ket pric e	420		1,500	No	Cash	Not appl icab le		
OCT Co., Ltd. and	Under the	Sale s of	Sale	Neg	Mar	967		2,000	No	Cash	Not		

its affiliated companies	same actual controller	goods	of goods	otiated price	ket price					appl icable		
Shenzhen OCT Property Service Co., Ltd	Under the same actual controller	Provide property management services	Provide property management services	Negotiated price	Market price	614		1,000	No	Cash	Not applicable	
Shenzhen OCT Real Estate Co., Ltd	Under the same actual controller	Provide services	Assist in development renovation project of headquarter	Negotiated price	Market price	1,000		2,000	No	Cash	Not applicable	
Total				--	--	6,182	--	12,500	--	--	--	--
Details of large amount of sales returns				Not applicable								
As for the prediction on the total amount of routine related-party transactions to be occurred in the Reporting Period by relevant types, the actual performance in the Reporting Period (if any)				The Company has published the Forecasting Public Notice on Routine Related Transaction for Y2017 (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 March 31, 2017. 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 RMB61.82 million.
Reason for major difference between transaction price and reference market price (if applicable)	N/A

2. Related Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

Whether there is non-operating credits and liabilities with related parties

Applicable Not applicable

Credits of parties related to account receivable

Related party	Relation with the Company	Formation reason	Whether there is non-operating capital occupation	Opening balance (RMB'0,000)	Amount newly added in current period (RMB'0,000)	Amount recovered in current period (RMB'0,000)	Interest rate	Current interest (RMB'0,000)	Closing balance (RMB'0,000)
Naught	Naught	Naught	No	0	0	0	0.00%	0	0
Impact of related credits on the company's operation result and financial condition						Naught			

Liabilities of parties related to account payable

Related party	Relation with the Company	Formation reason	Opening balance (RMB'0,000)	Amount newly added in current period (RMB'0,000)	Amount returned in current period (RMB'0,000)	Interest rate	Current interest (RMB'0,000)	Closing balance (RMB'0,000)
OCT Enterprises Co.	Controlling shareholder	The company applies entrusted loan to it	160,000	0	0	3.10%-3.90%	3,084.54	160,000
OCT Enterprises Co.			90,000	0	0	3.18%-4.35%	1,746.11	90,000
OCT Enterprises Co.			90,000	0	0	3.06%	1,384.69	90,000
OCT Enterprises			3,000	0	0	4.75%	167.17	3,000

Co.							
Impact of related liabilities on the company's operation result and financial condition	The company applies entrusted loan from OCT Enterprises Co., which meets the needs of the company's existing business development and reduces the financing cost.						

5. Other Significant Related Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XIII. Particulars about the Non-operating Occupation of Funds by the Controlling Shareholder and Other Related Parties of the Company

Applicable Not applicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the Reporting Period.

XIV. Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

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. Significant Guarantees

Applicable Not applicable

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guarantee	Disclosure date of	Amou	Actual occurrence date	Actual	Type	Perio	Executed	Guarante

Party	Relevant announcement	Amount for guarantee	(date of agreement)	Guarantee amount	Type of guarantee	Term of guarantee	Executed or not	Guarantee for a related party or not	
Naught	Naught	0	Naught	0	Naught	0	Naught	Naught	
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	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	03/31/2017	35,000	07/01/2016	6,000	Joint liability	1 year	No	No	
Communication technology		50,000	09/01/2016	50,000	Joint liability	1 year	No	No	
Anhui Konka		110,000	10/26/2016	10,000	Joint liability	1 year	No	No	
Yishijie		4,800	07/01/2016	2,000	Joint liability	1 year	No	No	
Hong Kong Konka		10/20/2016	355,000		3,387	Joint liability	1 year	No	No
		11/07/2016			23,710	Joint liability	1 year	No	No
	04/25/2017			6,774	Joint liability	1 year	No	No	
	05/22/2017			13,549	Joint liability	1 year	No	No	
	06/12/2017				6,774	Joint liability	1 year	No	No
Total guarantee line approved for the subsidiaries during the Reporting Period (B1)			909,800		Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)			27,097	

Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)			909,800	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)			122,194	
Guarantees provided by the subsidiaries for their subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	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
Naught	Naught	0	Naught	0	Naught	0	Naught	Naught
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)			922,800	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)			27,097	
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)			922,800	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			122,194	
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company				41.72%				
Of which:								
Amount of debt guarantee provided for shareholders, actual controller and the related-party (D)						0		
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)						122,194		
Total guarantee amount exceeded 50% of the net assets (F)						0		
Total amount of the above three guarantees (D+E+F)						122,194		
Explanation on the occurred warranty liability or 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		

Note: the guarantee period for the "Anhui Tongchuang" and "Yishijie" is from 07/01/2016 to 07/01/2017.

Explanation on guarantee that adopts complex method

Naught

(2) Illegal Provision of Guarantees for External Parties

Applicable Not applicable

No such cases in the Reporting Period.

3. Other Significant Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XV. Social Responsibilities**1. Targeted Measures Taken to Help People Lift Themselves Out of Poverty****(1) Outline of Targeted Measures in the Reporting Period**

We and China Youth Development Foundation (CYDF) have held the large public benefit activity “Heart Journey” since 2013. Five sessions of activities have been held until now. In 2013, we have helped thousands of migrant workers to go home; in 2014, we have planted tens of thousands of trees nationwide and improved the living conditions of 5,000 needy families by planting the economic and ecological trees; in 2015, we have donated nearly 100 music classrooms to the remote regions of China by carrying out “Happy Music Classroom” Project with CYDF; in 2016, we have helped the professional training on 100 music teachers in the remote regions of China and promote the teacher team construction in poverty-stricken areas.

In the first half of 2017, “Heart Journey” activity with the theme of caring for the affection in the left-behind children family in the poor area carried out by our company built “Heart Journey Affection House” in the western poor primary school to let the children have the face-to-face communication with the relatives in other countries via the video, and help 100 left-behind children to gather with the parents in the city during the summer vacation.

(2) List of Targeted Measures of Listed Companies in the Reporting Period

Indicator	Measurement unit	Number/Progress
I. General condition	—	—
Of which: 1. funds	RMB'0,000	40
II. Itemized investment	—	—
4. Out of poverty by education	—	—
Of which: 4.1 invested amount of supporting students in poverty	RMB'0,000	40
4.2 numbers of students in poverty who were supported	Person	100

(3) Subsequent Targeted Measure Plans

In the second half of 2017, our company will continue to carry out the “Heart Journey” public welfare activity with the theme of caring for the affection in the left-behind children family in the poor area, build “Heart Journey Affection House” in the western poor primary school and help 100 left-behind children to gather with the parents in the city during the summer vacation.

2. Significant Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

No

XVI. Other Significant Events

√ Applicable □ Not applicable

Announcement No.	Date	Title	Page on newspaper	Link
				Link on http://www.cninfo.com.cn
2017-01	2017-1-17	Announcement about the Progress of Investing and Constructing Konka Scientific Creation Center	Securities Times B80, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2017-01-17/1203018565.PDF
2017-02	2017-1-21	Announcement on the 2016 Earnings Forecasts	Securities Times B68, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2017-01-21/1203035594.PDF
2017-03	2017-2-18	Announcement on the Resolution of the 25 th Session of the 8 th Board of Directors	Securities Times B49, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2017-02-18/1203090685.PDF
2017-04	2017-2-18	Notice on Convening the 2017 1 st Extraordinary General Meeting	Securities Times B49, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2017-02-18/1203090686.PDF
2017-05	2017-2-18	Announcement about Offering Entrusted Loans to joint Stock Company	Securities Times B49, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2017-02-18/1203090689.PDF
2017-06	2017-3-7	Announcement on the Resolution of the 2017 1 st Extraordinary General Meeting	Securities Times B57, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2017-03-07/1203134012.PDF
2017-07	2017-3-11	Announcement on the Resolution of the 26 th Session of the 8 th Board of Directors	Securities Times B45, Ta Kung Pao A26	http://www.cninfo.com.cn/finalpage/2017-03-11/1203148741.PDF
2017-08	2017-3-11	Announcement about Put Forward “three old” Renovation Project of Wankang Factory and investing and building New Factory in Dongguan	Securities Times B45, Ta Kung Pao A26	http://www.cninfo.com.cn/finalpage/2017-03-11/1203148742.PDF
2017-09	2017-3-31	Announcement on the 2016 Annual Report		http://www.cninfo.com.cn/finalpage/2017-03-31/1203237063.PDF
2017-10	2017-3-31	Announcement on the Abstract of the 2016	Securities Times B97,	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237063.PDF

		Annual Report	Ta Kung Pao B14	3-31/1203237062.PDF
2017-11	2017-3-31	Announcement on the Resolution of the 28 th Session of the 8 th Board of Directors	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237057.PDF
2017-12	2017-3-31	Announcement on the Resolution of the 13 th Session of the 8 th Board of Directors	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237042.PDF
2017-13	2017-3-31	Announcement on the Expectation of the 2017 Routine Related Transaction	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237058.PDF
2017-14	2017-3-31	Announcement about the External Guarantee of Konka Group Co., Ltd.	Securities Times B97, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237056.PDF
2017-15	2017-3-31	Announcement about Related Transaction of Konka Group Co., Ltd.	Securities Times B97, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237059.PDF
2017-16	2017-3-31	Announcement about Applying for the Limit of Financial Products of Konka Group Co., Ltd.	Securities Times B97, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237043.PDF
2017-17	2017-3-31	Notice on Convening the 2016 Annual General Meeting	Securities Times B97, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2017-03-31/1203237041.PDF
2017-18	2017-4-8	Announcement on Receiving the Tax Reimbursement Events	Securities Times B40, Ta Kung Pao A6	http://www.cninfo.com.cn/finalpage/2017-04-08/1203260578.PDF
2017-19	2017-4-15	Announcement on the 2017 First Quarter Earnings Forecasts	Securities Times B61, Ta Kung Pao A11	http://www.cninfo.com.cn/finalpage/2017-04-15/1203298268.PDF
2017-20	2017-4-20	Announcement about Some Vice President of the Company officially Performing Duties	Securities Times B24, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2017-04-20/1203331863.PDF
2017-21	2017-4-25	Announcement on the Resolution of the 2015 Annual General Meeting	Securities Times B41, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2017-04-25/1203376714.PDF
	2017-4-25	Legal Opinion of Konka Group 2016 Annual General Meeting	Securities Times B12	http://www.cninfo.com.cn/finalpage/2017-04-25/1203376713.PDF
2017-22	2017-4-29	2016 First Quarter Report		http://www.cninfo.com.cn/finalpage/2017-04-29/1203422671.PDF
2017-23	2017-4-29	Text of the 2016 First Quarter Report	Securities Times B189, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2017-04-29/1203422669.PDF
2017-24	2017-5-23	Announcement on the Resolution of the 30 th Session of the 8 th Board of Directors	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553957.PDF
2017-25	2017-5-23	Announcement on the Related Transactions	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553958.PDF
2017-26	2017-5-23	Announcement about the Listing to Transfer Equity of Yingrui Photoelectric	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553959.PDF

2017-27	2017-5-23	Notice on Convening the 2017 2 nd Extraordinary General Meeting	Securities Times B60, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2017-05-23/1203553955.PDF
2017-28	2017-6-10	Announcement on the Resolution of the 2017 2 nd Extraordinary General Meeting	Securities Times B48, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-06-10/1203606560.PDF
2017-29	2017-6-22	Announcement about the Progress That Listing to Transfer Equity of Yingrui Photoelectric	Securities Times B40, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2017-06-22/1203637987.PDF
2017-30	2017-6-24	Announcement about the Resign of Non-independent Director of the Company	Securities Times B36, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2017-06-24/1203642993.PDF
2017-31	2017-6-27	Announcement on Receiving the Tax Reimbursement Events	Securities Times B13, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2017-06-27/1203648572.PDF
2017-32	2017-6-30	Announcement on the Resolution of the 31 th Session of the 8 th Board of Directors	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665192.PDF
2017-33	2017-6-30	Announcement about Planning to Set Up Industry Funds	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665190.PDF
2017-34	2017-6-30	Announcement about the Listing to Transfer Part of Equity of Kangqiao Jiacheng Company	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665200.PDF
2017-35	2017-6-30	Announcement about the Listing to Transfer Part of Equity of Kunkang Company	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665201.PDF
2017-36	2017-6-30	Announcement about Investing Chutian Dragon	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665191.PDF
2017-37	2017-6-30	Notice on Convening the 2017 3 rd Extraordinary General Meeting	Securities Times B20, Ta Kung Pao B18	http://www.cninfo.com.cn/finalpage/2017-06-30/1203665193.PDF

XVII. Significant Events of Subsidiaries

Applicable Not applicable

Section VI Share Changes and Shareholders' Profile

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Increase from capital reserve	Other	Subtotal	Number	Percentage (%)
1. Restricted shares						19,500	19,500	19,500	0.00%
1.1 Shares held by other domestic investors						19,500	19,500	19,500	0.00%
Among which: Shares held by domestic corporations									
Shares held by domestic individuals						19,500	19,500	19,500	0.00%
2. Non-restricted shares	2,407,945,408	100.00%				-19,500	-19,500	2,407,925,908	100%
2.1 RMB common shares	1,596,593,800	66.31%				-19,500	-19,500	1,596,574,300	66.31%
2.2 Domestically listed foreign shares	811,351,608	33.69%						811,351,608	33.69%
3. Total shares	2,407,945,408	100.00%						2,407,945,408	100%

Reasons for the share changes

Applicable Not applicable

On March 10, 2017, the company held the 26th meeting of 8th board of directors, audited and passed the Bill on the Term-change of Senior Managers, and agreed to hire Mr. Sun Qingyan as the vice president. Mr. Sun Qingyan holds 26,000 shares of A stock (000016), and 75% of the shares is the limited-sales condition according to the related provisions.

Approval of share changes

Applicable Not applicable

Transfer of share ownership

Applicable Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in the Reporting Period	Increased in the Reporting Period	Closing restricted shares	Reason for unlocking	Date of unlocking
Sun Qingyan	0	0	19,500	19,500	Locked share by senior executives	Undetermined
Total	0	0	19,500	19,500	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the period-end	115,362		Total number of preference shareholders with resumed voting rights at the period-end (if any) (see Note 8)	0				
5% or greater common shareholders or the top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number

								er
OCT Enterprises Co.	State-owned corporation	21.75%	523,746,932	0	0	523,746,932		
CITIC Securities Brokerage (Hong Kong) Co., Ltd.	Foreign corporation	7.56%	182,100,202	0	0	182,100,202		
HOLY TIME GROUP LIMITED	Foreign corporation	2.33%	56,049,824	0	0	56,049,824		
Guoyuan Securities Broker (HK) Co., Ltd.	Foreign corporation	2.27%	54,755,145	-1,412,800	0	54,755,145		
GAOLING FUND,L.P.	Foreign corporation	2.19%	52,801,250	0	0	52,801,250		
CMS (HK)	State-owned corporation	0.94%	22,662,120	-528,500	0	22,662,120		
NAM NGAI	Foreign natural person	0.94%	22,535,240	-684,800	0	22,535,240		
Nanhua Futures Co., Ltd. — Nanhua Futures Silver Leaf No. 25 Assets Management Plan	Other	0.86%	20,713,937	-2,792,042	0	20,713,937		
Yunnan International Entrust Co., Ltd-Juli No. 48 Single Capital Entrust	Other	0.84%	20,216,860	20,216,860	0	20,216,860		
CSI Capital Management Limited	Foreign corporation	0.83%	20,050,928	0	0	20,050,928		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)			Naught					
Related or acting-in-concert parties among the shareholders above			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 concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.		
Shareholdings of the top ten non-restricted common shareholders			
Name of shareholder	Number of non-restricted 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.	182,100,202	Domestically listed foreign share	182,100,202
HOLY TIME GROUP LIMITED	56,049,824	Domestically listed foreign share	56,049,824
Guoyuan Securities Broker (HK) Co., Ltd.	54,755,145	Domestically listed foreign share	54,755,145
GAOLING FUND,L.P.	52,801,250	Domestically listed foreign share	52,801,250
CMS (HK)	22,662,120	Domestically listed foreign share	22,662,120
NAM NGAI	22,535,240	Domestically listed foreign share	22,535,240
Nanhua Futures Co., Ltd. — Nanhua Futures Silver Leaf No. 25Assets Management Plan	20,713,937	RMB ordinary share	20,713,937
Yunnan International Entrust Co., Ltd-Juli No. 48 Single Capital Entrust	20,216,860	RMB ordinary share	20,216,860
CSI Capital Management Limited	20,050,928	Domestically listed foreign share	20,050,928
Related or acting-in-concert parties among the top ten non-restrictedly tradable share holders and between the top ten non-restrictedly tradable share holders and the top ten shareholders	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 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)	Naught
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Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea No

No such cases in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

Applicable Not applicable

There was no any change of the controlling shareholder of the Company in the Reporting Period.

Change of the actual controller in the Reporting Period

Applicable Not applicable

There was no any change of the actual controller of the Company in the Reporting Period.

Section VII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Section VIII Directors, Supervisors and Executive Officers

I Changes in Shareholdings of Directors, Supervisors and Executive Officers

√ Applicable □ Not applicable

Name	Office title	Incumbent/former	Opening shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Closing shareholding (share)	The granted restricted shares at the period-begin (share)	The granted restricted shares at the Reporting period (share)	The granted restricted shares at the period-end (share)
Liu Fengxi	Board Chairman	Current	0	0	0	0	0	0	0
Jin Qingjun	Director	Current	0	0	0	0	0	0	0
He Haibin	Director	Current	0	0	0	0	0	0	0
Zhangjing	Director	Current	0	0	0	0	0	0	0
Sun Shengdian	Independent Director	Current	0	0	0	0	0	0	0
Xiao Zuhe	Independent Director	Current	0	0	0	0	0	0	0
Zhang Shuhua	Independent Director	Current	0	0	0	0	0	0	0
Hao Gang	Supervisory	Current	0	0	0	0	0	0	0
Wang Youlai	Supervisor	Current	0	0	0	0	0	0	0
Li Jun	Employee Supervisor	Current	0	0	0	0	0	0	0
Zhoubin	President	Current	0	0	0	0	0	0	0
He Jianjun	Vice President	Current	0	0	0	0	0	0	0

Li Hongtao	Vice President	Current	0	0	0	0	0	0	0
Wu Yongjun	Board Secretary	Current	0	0	0	0	0	0	0
Li Chunlei	CFO	Current	0	0	0	0	0	0	0
Yang Bo	Vice President	Current	0	0	0	0	0	0	0
Cao Shiping	Vice President	Current	0	0	0	0	0	0	0
Sun Qingyan	Vice President	Current	0	26,000	0	26,000	0	0	0
Chen Yuehua	Director	Left	0	0	0	0	0	0	0
Huang Zhongtian	Vice President	Left	0	0	0	0	0	0	0
Lin Hhongfan	Vice President	Left	0	0	0	0	0	0	0
Total	--	--	0	26,000	0	26,000	0	0	0

II Changes in Directors, Supervisors and Executive Officers

√ Applicable □ Not applicable

Name	Office title	Type of change	Date	Reason
Zhangjing	Director	Elected	07/17/2017	Election of meeting of shareholders
Chen Yuehua	Director	Left	06/22/2017	Resign due to personal reasons
Zhoubin	President	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Li Chunlei	CFO	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Yang Bo	Vice President	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Cao Shiping	Vice President	Engaged	03/10/2017	Engaged by the decision from the Board of Directors
Sun Qingyan	Vice President	Engaged	04/18/2017	Engaged by the decision from the Board of Directors
Huang Zhongtian	Vice President	Left for expiration	03/10/2017	The service term of the Board

				of Supervisors was expired
Lin Hongfan	Vice President	Left for expiration	03/10/2017	The service term of the Board of Supervisors was expired

Section IX Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

Section X Financial Report

I. Auditor's Report

Whether the semi-annual report has been audited?

Yes No

The semi-annual report of the Company has not been audited.

II. Financial Statements

The unit of the financial statements attached: RMB

1. Consolidated Balance Sheet

Prepared by Konka Group Co., Ltd.

June 30, 2017

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	2,490,079,604.07	2,617,606,256.42
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss	174,029,426.65	252,084,994.12
Derivative financial assets		
Notes receivable	2,429,438,978.77	2,871,633,498.82
Accounts receivable	1,966,918,540.02	2,307,965,548.49
Accounts paid in advance	739,601,586.38	274,810,658.72
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable	1,185,860.75	1,342,063.84
Dividends receivable	10,171,609.48	10,171,609.48
Other accounts receivable	277,435,269.56	222,389,921.80
Financial assets purchased under agreements to resell		
Inventories	6,374,483,463.58	4,287,413,944.35
Assets held for sale		

Non-current assets due within one year		
Other current assets	2,011,262,179.93	562,204,116.20
Total current assets	16,474,606,519.19	13,407,622,612.24
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	290,355,459.18	314,967,639.36
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	629,257,019.68	309,648,120.37
Investment property	219,271,267.11	222,086,904.26
Fixed assets	1,544,239,052.29	1,573,978,914.03
Construction in progress	404,450,172.08	315,536,437.05
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	252,432,746.73	302,045,627.44
R&D expenses		
Goodwill	3,597,657.15	3,597,657.15
Long-term deferred expense	94,751,697.66	91,901,533.39
Deferred income tax assets	733,098,344.30	701,734,152.68
Other non-current assets	20,000,000.00	
Total non-current assets	4,191,453,416.18	3,835,496,985.73
Total assets	20,666,059,935.37	17,243,119,597.97
Current liabilities:		
Short-term borrowings	10,744,965,110.13	6,562,834,226.51
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss	20,181,325.74	337,263.13
Derivative financial liabilities		
Notes payable	899,911,286.22	863,709,138.39
Accounts payable	2,297,215,140.77	3,160,073,575.56
Accounts received in advance	1,678,390,010.50	1,201,426,223.70

Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	172,950,937.61	273,059,516.65
Taxes payable	68,872,054.95	121,905,421.18
Interest payable	30,119,490.82	21,344,172.45
Dividends payable		
Other accounts payable	1,132,518,296.11	1,444,349,986.74
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	301,282.02	41,025.60
Other current liabilities		
Total current liabilities	17,045,424,934.87	13,649,080,549.91
Non-current liabilities:		
Long-term borrowings	70,000,000.00	70,000,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable	30,144,871.84	30,102,564.14
Long-term payroll payable	15,614,846.48	18,151,659.90
Special payables		
Provisions	7,551,985.10	7,551,985.10
Deferred income	126,952,107.30	130,571,125.42
Deferred income tax liabilities	21,615,840.46	19,162,818.83
Other non-current liabilities		
Total non-current liabilities	271,879,651.18	275,540,153.39
Total liabilities	17,317,304,586.05	13,924,620,703.30
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	78,556,489.58	79,723,092.04
Less: Treasury shares		
Other comprehensive income	-9,181,811.13	-6,932,104.65
Special reserve		
Surplus reserve	847,908,466.28	847,908,466.28
Provisions for general risks		
Retained earnings	-396,291,986.77	-427,163,254.63
Equity attributable to owners of the Company	2,928,936,565.96	2,901,481,607.04
Minority interests	419,818,783.36	417,017,287.63
Total owners' equity	3,348,755,349.32	3,318,498,894.67
Total liabilities and owners' equity	20,666,059,935.37	17,243,119,597.97

Legal representative: Liu Fengxi

Accounting head for this Report: Li Chunlei

Head of the accounting department: Feng Junxiu

2. Balance Sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,271,047,943.41	982,562,273.45
Financial assets at fair value through profit/loss	1,608,526.37	39,894,844.12
Derivative financial assets		
Notes receivable	2,217,478,346.39	2,513,459,083.61
Accounts receivable	2,579,464,881.21	3,145,529,199.35
Accounts paid in advance	767,711,288.96	523,905,219.52
Interest receivable	2,215,166.39	4,502,350.43
Dividends receivable		
Other accounts receivable	2,658,019,649.37	1,725,494,161.08
Inventories	2,946,917,248.75	1,926,824,243.11
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,992,042,082.60	505,418,961.79
Total current assets	14,436,505,133.45	11,367,590,336.46
Non-current assets:		
Available-for-sale financial assets	255,073,223.36	270,217,639.36
Held-to-maturity investments	170,000,000.00	170,000,000.00

Long-term accounts receivable		
Long-term equity investments	2,737,657,509.19	2,383,970,009.87
Investment property	219,271,267.11	222,086,904.26
Fixed assets	493,652,144.76	499,826,176.39
Construction in progress	22,139,475.71	11,754,885.34
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	88,383,149.81	90,880,022.23
R&D expenses		
Goodwill		
Long-term deferred expense	71,702,290.31	66,995,753.17
Deferred income tax assets	686,578,897.26	656,704,805.39
Other non-current assets	20,000,000.00	
Total non-current assets	4,764,457,957.51	4,372,436,196.01
Total assets	19,200,963,090.96	15,740,026,532.47
Current liabilities:		
Short-term borrowings	7,878,215,003.35	5,436,958,840.80
Financial liabilities at fair value through profit/loss	20,181,325.74	337,263.13
Derivative financial liabilities		
Notes payable	2,291,729,831.35	1,454,982,347.31
Accounts payable	4,390,355,218.59	3,710,175,718.31
Accounts received in advance	427,249,879.85	322,402,357.59
Payroll payable	88,784,318.13	131,415,800.19
Taxes payable	10,440,304.17	19,823,949.08
Interest payable	39,816,809.21	23,767,528.97
Dividends payable		
Other accounts payable	1,287,996,900.39	1,760,751,455.81
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	16,434,769,590.78	12,860,615,261.19
Non-current liabilities:		

Long-term borrowings	40,000,000.00	40,000,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Provisions	7,551,985.10	7,551,985.10
Deferred income	82,531,411.20	82,166,818.30
Deferred income tax liabilities		12,026,251.50
Other non-current liabilities		
Total non-current liabilities	130,083,396.30	141,745,054.90
Total liabilities	16,564,852,987.08	13,002,360,316.09
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	63,627,505.93	64,794,108.39
Less: Treasury shares		
Other comprehensive income	-5,093,676.42	6,714,437.62
Special reserve		
Surplus reserve	847,908,466.28	847,908,466.28
Retained earnings	-678,277,599.91	-589,696,203.91
Total owners' equity	2,636,110,103.88	2,737,666,216.38
Total liabilities and owners' equity	19,200,963,090.96	15,740,026,532.47

3. Consolidated Income Statement

Unit: RMB

Item	January-June 2017	January-June 2016
1. Operating revenues	11,405,965,979.43	8,609,080,822.24
Including: Sales income	11,405,965,979.43	8,609,080,822.24
Interest income		
Premium income		
Fee and commission income		

2. Operating costs	11,495,886,195.84	8,741,569,244.93
Including: Cost of sales	10,110,191,258.07	7,177,725,092.42
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and surtaxes	34,429,592.04	56,149,941.54
Selling expenses	974,003,306.54	1,109,146,923.61
Administrative expenses	264,108,100.97	290,919,290.02
Finance costs	110,882,895.46	68,373,432.00
Asset impairment loss	2,271,042.76	39,254,565.34
Add: Profit on fair value changes (“-” means loss)	-103,077,757.73	-18,141,655.39
Investment income (“-” means loss)	67,005,572.06	10,586,381.62
Including: Share of profit/loss of associates and joint ventures	-4,574,294.19	-7,531,575.68
Exchange gains (“-” means loss)		
Other gains	36,838,391.51	
3. Operating profit (“-” means loss)	-89,154,010.57	-140,043,696.46
Add: Non-operating income	123,347,108.29	154,187,662.64
Including: Profit on disposal of non-current assets	33,597,795.57	3,147,161.67
Less: Non-operating expense	3,635,538.11	3,531,018.36
Including: Loss on disposal of non-current assets	1,065,392.90	617,565.57
4. Total profit (“-” means loss)	30,557,559.61	10,612,947.82
Less: Corporate income tax	-3,838,772.97	705,997.10
5. Net profit (“-” means loss)	34,396,332.58	9,906,950.72
Net profit attributable to owners of the Company	30,871,267.86	12,834,736.76
Minority interests’ income	3,525,064.72	-2,927,786.04
6. Other comprehensive income net of tax	-2,226,560.59	-15,440,224.77
Other comprehensive income net of tax attributable to owners of the Company	-2,249,706.48	-15,158,638.24
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined		

benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss	-2,249,706.48	-15,158,638.24
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-11,347,998.58	-1,875.00
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences	9,098,292.10	-15,156,763.24
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests	23,145.89	-281,586.53
7. Total comprehensive income	32,169,771.99	-5,533,274.05
Attributable to owners of the Company	28,621,561.38	-2,323,901.48
Attributable to minority interests	3,548,210.61	-3,209,372.57
8. Earnings per share		
8.1 Basic earnings per share	0.0128	0.0053
8.2 Diluted earnings per share	0.0128	0.0053

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 RMB0.00, with the corresponding amount for the last period being RMB0.00.

Legal representative: Liu Fengxi

Accounting head for this Report: Li Chunlei

Head of the accounting department: Feng Junxiu

4. Income Statement of the Company

Unit: RMB

Item	January-June 2017	January-June 2016
1. Operating revenues	6,272,712,644.73	6,445,980,538.16
Less: Operating costs	5,443,839,907.56	5,638,759,127.68
Taxes and surtaxes	10,868,803.46	21,209,160.52
Selling expenses	711,874,597.16	808,506,711.94
Administrative expenses	188,310,629.91	152,850,562.16
Finance costs	127,560,085.67	72,822,853.13
Asset impairment loss	2,244,928.43	24,699,388.50
Add: profit on fair value changes (“-” means loss)	-63,255,380.36	7,670,643.10

Investment income (“-” means loss)	77,763,929.57	20,628,022.12
Including: Share of profit/loss of associates and joint ventures	-6,495,694.18	4,112,715.97
Other gains	26,416,590.40	
2. Operating profit (“-” means loss)	-171,061,167.85	-244,568,600.55
Add: Non-operating income	46,954,770.89	98,624,509.69
Including: Profit on disposal of non-current assets	71,766.85	264,303.85
Less: Non-operating expense	2,589,238.41	1,189,594.88
Including: Loss on disposal of non-current assets	141,009.66	145,122.77
3. Total profit (“-” means loss)	-126,695,635.37	-147,133,685.74
Less: Corporate income tax	-38,114,239.37	-35,628,495.40
4. Net profit (“-” means loss)	-88,581,396.00	-111,505,190.34
5. Other comprehensive income net of tax	-11,808,114.04	641,019.96
5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss	-11,808,114.04	641,019.96
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
5.2.2 Profit/loss on fair value changes of available-for-sale financial assets	-11,358,312.00	-1,875.00
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences	-449,802.04	642,894.96
5.2.6 Other		
6. Total comprehensive income	-100,389,510.04	-110,864,170.38
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash flow statement

Unit: RMB

Item	January-June 2017	January-June 2016
1. Cash flows associated with operating activities:		

Cash received from sale of commodities and rendering of service	10,702,542,891.56	9,435,398,454.00
Net increase in money deposits from customers and interbank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	153,594,635.95	178,405,043.66
Cash generated by other operating activities	242,504,590.42	265,852,475.51
Subtotal of cash generated by operating activities	11,098,642,117.93	9,879,655,973.17
Cash paid for goods and services	11,531,432,202.90	8,174,460,211.13
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and interbank placements		
Cash paid for claims of original insurance contracts		
Interest, fees and commissions paid		
Cash paid as policy dividends		
Cash paid to and for employees	810,851,488.87	844,148,334.80
Taxes paid	264,698,689.66	393,891,670.20
Cash used in other operating activities	755,674,441.38	592,697,813.46
Subtotal of cash used in operating activities	13,362,656,822.81	10,005,198,029.59
Net cash generated by operating activities	-2,264,014,704.88	-125,542,056.42
2. Cash flows associated with investing activities:		
Cash received from retraction of investments	9,766,980.30	10,039,975.96
Cash received as investment income	78,957,443.99	18,138,724.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	78,716,573.22	177,070.99
Net cash received from disposal of subsidiaries or other business units		
Cash generated by other investing activities	857,901,449.68	4,293,428,300.00

Subtotal of cash generated by investing activities	1,025,342,447.19	4,321,784,071.56
Cash paid to acquire fixed assets, intangible assets and other long-term assets	124,051,006.64	57,679,455.60
Cash paid for investment	326,090,459.58	6,010,455.00
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash used in other investing activities	2,156,068,913.10	4,321,807,285.63
Subtotal of cash used in investing activities	2,606,210,379.32	4,385,497,196.23
Net cash generated by investing activities	-1,580,867,932.13	-63,713,124.67
3. Cash flows associated with financing activities:		
Cash received from capital contributions	265,000.00	4,900,000.00
Including: Cash received from minority shareholder investments by subsidiaries	265,000.00	4,900,000.00
Cash received as borrowings	5,023,816,944.90	2,902,000,000.00
Cash received from issuance of bonds		
Cash generated by other financing activities	444,475,802.89	1,091,505,232.65
Subtotal of cash generated by financing activities	5,468,557,747.79	3,998,405,232.65
Repayment of borrowings	1,143,869,292.69	2,762,733,295.48
Cash paid for interest expenses and distribution of dividends or profit	162,968,902.94	50,260,605.68
Including: dividends or profit paid by subsidiaries to minority interests	746714.88	
Cash used in other financing activities	574,504.77	31,258,073.60
Sub-total of cash used in financing activities	1,307,412,700.40	2,844,251,974.76
Net cash generated by financing activities	4,161,145,047.39	1,154,153,257.89
4. Effect of foreign exchange rate changes on cash and cash equivalents	-10,379,276.29	16,897,838.33
5. Net increase in cash and cash equivalents	305,883,134.09	981,795,915.13
Add: Opening balance of cash and cash equivalents	2,020,902,945.13	1,488,154,851.35
6. Closing balance of cash and cash equivalents	2,326,786,079.22	2,469,950,766.48

6. Cash Flow Statement of the Company

Unit: RMB

Item	January-June 2017	January-June 2016
1. Cash flows associated with operating activities:		
Cash received from sale of commodities and rendering of service	7,169,804,450.63	6,066,072,499.56
Tax refunds received	45,615,145.13	106,864,410.47

Cash generated by other operating activities	1,557,443,931.45	595,949,901.28
Subtotal of cash generated by operating activities	8,772,863,527.21	6,768,886,811.31
Cash paid for goods and services	6,398,479,799.13	7,097,799,617.56
Cash paid to and for employees	490,539,972.72	469,174,013.13
Taxes paid	74,454,460.84	199,964,096.41
Cash used in other operating activities	2,206,102,049.40	950,560,098.46
Subtotal of cash used in operating activities	9,169,576,282.09	8,717,497,825.56
Net cash generated by operating activities	-396,712,754.88	-1,948,611,014.25
2. Cash flows associated with investing activities:		
Cash received from retraction of investments		5,685.00
Cash received as investment income	90,904,415.99	22,133,330.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	157,331.75	174,720.56
Net cash received from disposal of subsidiaries or other business units		
Cash generated by other investing activities	857,000,000.00	4,395,417,300.00
Subtotal of cash generated by investing activities	948,061,747.74	4,417,731,036.13
Cash paid to acquire fixed assets, intangible assets and other long-term assets	25,893,599.53	8,706,651.29
Cash paid for investment	361,799,598.00	14,016,000.00
Net cash paid to acquire subsidiaries and other business units		
Cash used in other investing activities	2,229,985,587.07	4,542,483,083.21
Subtotal of cash used in investing activities	2,617,678,784.60	4,565,205,734.50
Net cash generated by investing activities	-1,669,617,036.86	-147,474,698.37
3. Cash flows associated with financing activities:		
Cash received from capital contributions		
Cash received as borrowings	2,676,935,367.72	3,501,874,941.51
Cash received from issuance of bonds		
Cash generated by other financing activities	141,159,174.39	
Subtotal of cash generated by financing activities	2,818,094,542.11	3,501,874,941.51
Repayment of borrowings	303,221,456.06	210,241,682.55
Cash paid for interest expenses and distribution of dividends or profit	155,399,679.20	15,544,969.44
Cash used in other financing activities	574,504.77	322,169,966.60
Sub-total of cash used in financing activities	459,195,640.03	547,956,618.59
Net cash generated by financing activities	2,358,898,902.08	2,953,918,322.92

4. Effect of foreign exchange rate changes on cash and cash equivalents	2,847,903.92	7,375,907.16
5. Net increase in cash and cash equivalents	295,417,014.26	865,208,517.46
Add: Opening balance of cash and cash equivalents	973,613,753.40	478,267,624.53
6. Closing balance of cash and cash equivalents	1,269,030,767.66	1,343,476,141.99

7. Consolidated Statement of Changes in Owners' Equity

January-June 2017

Unit: RMB

Item	January-June 2017												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
	Preference shares	Perpetual bonds	Other										
1. Balance at the end of the prior year	2,407,945,408.00				79,723,092.04		-6,932,104.65		847,908,466.28		-427,163,254.63	417,017,287.63	3,318,498,894.67
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	2,407,945,408.00				79,723,092.04		-6,932,104.65		847,908,466.28		-427,163,254.63	417,017,287.63	3,318,498,894.67
3. Increase/ decrease in the period ("-" means decrease)					-1,166,602.46		-2,249,706.48				30,871,267.86	2,801,495.73	30,256,454.65
3.1 Total comprehensive income							-2,249,706.48				30,871,267.86	3,548,210.61	32,169,771.99
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													

3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other													
3.3 Profit distribution												-746,714.88	-746,714.88
3.3.1 Appropriation to surplus reserve													
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)												-746,714.88	-746,714.88
3.3.4 Other													
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
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						-1,166,602.46							-1,166,602.46
4. Closing balance	2,407,945,408.00				78,556,489.58		-9,181,811.13		847,908,466.28		-396,291,986.77	419,818,783.36	3,348,755,349.32

January-June 2016

Unit: RMB

Item	January-June 2016												Minority interests	Total owners' equity
	Equity attributable to owners of the Company										Retained earnings			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve				
Preference shares		Perpetual bonds	Other											
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 control														
Other														
2. Balance at the beginning of the 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	
3. Increase/ decrease in the period ("-" means decrease)					1,513,556.85		-10,087,848.65				95,673,028.03	155,949,741.31	243,048,477.54	
3.1 Total comprehensive income							-10,087,848.65				95,673,028.03	-3,703,180.21	81,881,999.17	
3.2 Capital increased and reduced by owners												159,564,888.59	159,564,888.59	
3.2.1 Ordinary shares increased by shareholders												261,842,331.23	261,842,331.23	
3.2.2 Capital increased by holders of other equity instruments														
3.2.3 Amounts of share-based														
3.2.4 Other												-102,277,442.64	-102,277,442.64	

3.3 Profit distribution													
3.3.1 Appropriation to surplus reserve													
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)													
3.3.4 Other													
3.4 Internal carry-forward of owners' equity					-35,543,805.21								-35,543,805.21
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other					-35,543,805.21							-	-35,543,805.21
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other					37,057,362.06						88,032.93		37,145,394.99
4. Closing balance	2,407,945,408.00				79,723,092.04	-6,932,104.65		847,908,466.28		-427,163,254.63	417,017,287.63		3,318,498,894.67

8. Statement of Changes in Owners' Equity of the Company

January-June 2017

Unit: RMB

Item	January-June 2017								
	Share capital	Other equity instruments	Capital reserve	Less: Treasury	Other comprehensive	Special reserve	Surplus reserve	Retained earnings	Total owners' equity

		Preferen ce shares	Perpet ual bonds	Othe r							
1. Balance at the end of the prior year	2,407,945,408.00				64,794,108.39		6,714,437.62		847,908,466.28	-589,696,203.91	2,737,666,216.38
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				64,794,108.39		6,714,437.62		847,908,466.28	-589,696,203.91	2,737,666,216.38
3. Increase/ decrease in the period (“-” means decrease)					-1,166,602.46		-11,808,114.04			-88,581,396.00	-101,556,112.50
3.1 Total comprehensive income							-11,808,114.04			-88,581,396.00	-100,389,510.04
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners’ equity											
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 capital reserve											

3.4.2 New increase of capital (or share capital) from surplus reserve											
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					-1,166,602.46					-1,166,602.46	
4. Closing balance	2,407,945,408.00				63,627,505.93		-5,093,676.4		847,908,466.28	-678,277,599.91	2,636,110,103.88

January-June 2016

Unit: RMB

Item	January-June 2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
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 decrease)					18,288,501.05		4,911,184.85			-379,813,350.91	-356,613,665.01
3.1 Total comprehensive income							4,911,184.85			-379,813,350.91	-374,902,166.06
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											

3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
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 capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
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					18,288,501.05						18,288,501.05
4. Closing balance	2,407,945,408.00				64,794,108.39		6,714,437.62		847,908,466.28	-589,696,203.91	2,737,666,216.38

Konka Group Co., Ltd.

Notes to Financial Statements for January-June 2017

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

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 was renamed to “Konka Group Co., Ltd.” (Credibility code: 914403006188155783) with its main business falling into electronic industry. And now the headquarters locates in No. 28 of No. 12 of Keji South Rd., Science & Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province.

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 RMB 0.90 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 RMB 1.10 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 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 16,930,305.00 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 interim general meeting 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 RMB 6.28/A-share and HKD 5.85/B-share. Corporate shareholders took their respective existing shares as bases for full subscription of the allocable shares. The total capital stock reached 365,572,641.00 shares after this allotment.

On January 25, 1998, the Plan on Share Allotment 1998 was adopted at the 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 RMB 10.50/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 467,260,323.00 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, 80,000,000.00 A-shares were additionally issued to the public at RMB15.50/share. The total capital stock reached 547,260,323.00 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 601,986,352.00 shares after this distribution.

On May 26, 2008, the 2017 general meeting of shareholders was convened, during which the following resolutions were discussed and adopted: based on the total capital stock of 601,986,352.00 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. 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 1,203,972,704.00 shares after change.

According to the regulations of the 2015 1st Extraordinary General Meeting and the revised articles of the Company, the Company applied to increase the registered capital of RMB1,203,972,704.00, which totally turned into capital reserve with the altered registered capital of RMB2,407,945,408.00 and managed the industrial and commercial alternation registration on January 28, 2016 with the altered share capital of 2,407,945,408.00 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 its subsidiaries are mainly engaged in the production and sales of color TVs, white goods, mobile phones, etc.; trading; real estate development and marketing;

advertising agency; factoring, and etc.

5. The financial statements contained herein have been approved for issue by the Board of the Company on August 23, 2017.

6. There were 39 subsidiaries included in the consolidation scope of June 30, 2017 of the Company, and please refer to the Notes VIII. "Equities among other entities" for details. There were 1 subsidiaries increased and 1 decreased in the consolidation scope of the Reporting Period over the last period of the Company, and the reason for 1 decreased is that Anhui Household Appliance is absorbed and consolidated by Anhui Tongchuang. For details, 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 Household Appliances Co., Ltd.	Konka Household Appliances
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Konka Electrical Appliances Co., Ltd.	Electrical Appliances
Shenzhen Konka 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
Boluo Konka PCB Co., Ltd.	Boluo Konka
Boluo Konka Precision Technology Co., Ltd.	Boluo Konka Precision
Hong Kong Konka Co., Ltd.	Hong Kong Konka
Konka Household Appliances Investment & Development Co., Ltd.	Konka Household Appliances Investment

Corporate name	Abbreviation
Konka Household Appliances International Trading Co., Ltd.	Konka Household Appliances International Trading
Konka (Europe) Co., Ltd.	Konka Europe
Konka 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
Beijing Konka Electronic Co., Ltd.	Beijing Konka Electronic
Shenzhen Konka E-display Co., Ltd.	Konka E-display
Shenzhen E-display Service Co., Ltd.	E-display Service
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong
Youshi Kangrong Culture Communication Co., Ltd.	Youshi Kangrong
Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	Kangqiao Jiacheng
Konka SmartTech Limited	Konka SmartTech
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Shenzhen E2info Network Technology Co., Ltd.	E2info
Shenzhen Konka Mobile Interconnection Technology Co., Ltd.	Mobile Interconnection
Shenzhen Konka Commercial System Technology Co., Ltd.	Commercial System Technology
Zhongkang Supply Chain Management Co., Ltd.	Zhongkang Supply Chain
Shenzhen Kangqiao Easy Chain Technology Co., Ltd.	Kangqiao Easy Chain
E3info (Hainan) Technology Co., Ltd.	E3info
Chuzhou Konka Technology & Industry Development Co., Ltd.	Konka Technology & Industry Development

Corporate name	Abbreviation
Anhui Kangzhi Trade Co., Ltd.	Kangzhi Trade

II. Basis for the preparation of financial statements

1. Basis for the preparation

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 Feb. 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 June 30, 2017, business results and cash flows for the first half year of 2017, 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 Jan. and ends on 31 Dec. 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. As for the overseas subsidiaries of the Company-America Konka, European Konka and Indonesia Konka, should be respectively confirmed the US Dollar, Euro and Indonesia Rupiah as their recording currency according its major economic environment of their operating address; subsidiaries such as Hong Kong Konka, Konka Household Appliances International Trading, Konka Zhisheng and Zhongkang Supply Chain use HK Dollar as their recording currency. And the Group adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the reporting year.

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 than 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 Notes IV. 5 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and Notes IV. 12 “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. A subsidiary is an enterprise or entity controlled by the Group.

Once any changes in the relevant facts or situations result in any changes in the elements involved in the aforesaid definition of “control”, the Company shall carry out a reassessment.

(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 loses 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, 12 "long term equity investment" or Note IV. 9 "financial instruments".

Where the Group loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Group loses 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 12, (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 loss 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. 12 (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 recognize 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 the other comprehensive income; 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/the weighted average of the exchange rate of the current period 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 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
Group 1: Aging group	Divide the groups according to the credit risks characteristics of the accounts

	receivable
Group 2: Internal related party groups in the scope of consolidation of the Company	Divide the groups according to the credit risks characteristics of whether the creditor is the internal related party in the scope of consolidation 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.

Item	Withdrawal method
Group 1: Aging group	Aging analysis method
Group 2: Internal related party groups in the scope of consolidation of the Company	To make an independent impairment test and if there was no impairment, should not withdraw the bad debts 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.
- C. There is other evidence of impairment and the impairment amount can estimated reliably.

(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

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. 16 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 policies 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 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 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 owing 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 owing 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 owing 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 estate” 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 estate 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. 19. “Long-term assets impairment”.

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 depreciation (%)
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 use 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 cannot 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 Reporting 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 dismissal 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 goods exported, the revenue shall be recognized once the goods are cleared through customs and delivered to the carrier designated by the purchaser.

(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 cannot 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 cannot 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 from 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) Held-to-maturity investments

The Company classifies the non-derivative financial asset with a fixed or determinable amount of repo price, and a fixed date of maturity, which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity, to held-to-maturity investment. Such classification concerns lots of judgments. During the judgment process, the Company will assess the purpose and capability for holding such kind of investment to maturity. Except for special cases (for example, selling investment with no-large amount when the maturity date is closely to come), if the Company can't hold the investment to maturity date, the Company should re-classify all that investment to available-for-sale financial assets, and shouldn't classify those financial assets into hold-to-maturity investment in the current fiscal year and the next two complete fiscal years. Such cases may have significant impact on related financial assets value stated in financial statements, and may influence the risk management strategy for financial tools of the Company.

(6) Impairment of held-to-maturity investment

The decision about confirming the impairment of the investment held-to-maturity by the Company depends on the judgment of the management layer to a great extent. The objective evidences of the occurrence of the impairment include there is serious financial difficulties of

the issuer which lead the financial assets could not be continued to deal in the active market and could not execute the clauses of the contracts (for example, to pay for the interests or the principal occurs default) and so on. When executing the judgment, the Company should assess the influences of the objective evidences of the occurrence of the impairment on the estimated future cash flow of the investment.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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 matters and their initial estimates, the differences would affect the current income tax and deferred income tax at the period of ultimate recognition.

(13) 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.

(14) 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 3%, 5%, 6%, 11%, 13%, 17% and paid the VAT by the amount after deducting the deductible withholding VAT at current period, of which the VAT applicable to easy collection won't belong to the deductible withholding VAT.
Business tax	Paid by 5% of taxable business income.; and VAT replaced the business tax

Category of taxes	Specific situation of the taxes rate
	from May 1, 2016.
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, Konka Zhisheng, and Zhongkang Supply Chain of 16.5%; Telecommunication Technology, Kunshan Konka, Dongguan Konka, Anhui Konka, Konka E-display, and Wankaida and Chongqing Qingjia of 15%; and Europe Konka of 31%.
Education surtax	Paid at 3% of the circulating tax actually paid.
Local education surtax	Paid at 2% of the circulating tax actually paid.

Note: (1) On March 23, 2016, the Ministry of Finance and the State Administration of Taxation issued the Notice on Overall Promotion of Pilot Change from Business Tax to VAT (CS [2016] NO.36). Since May 1, 2016, the pilot change from business tax to VAT has been overall promoted in nationwide. The industries of construction, real estate, financing, life service, and so on were all included into the pilot range and related business taxpayers will pay VAT instead of business tax. The Company has followed the aforesaid policy for its businesses belonging to the industries of real estate, information service, immovable property leasing, and so on.

(2) 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 July 1, 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.

(3) 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 January 1, 2008 and will be final settled uniformly by the Company at the year-end.

2. Tax preference and approved document

(1) On August 5, 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 Provincial 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.

(2) On September 30, 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.

(3) On September 30, 2014, the Company’s subsidiary- Wankaida 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.

(4) On October 10, 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 (2014~2016), and pay for the corporate income tax according to 15% of the preferential tax rate.

(5) On October 21, 2016, the subsidiary of the Company, Anhui Konka acquired the certificate of high-technology enterprises joint issued by Anhui Province Science and Technology Department, Department of Finance of Anhui Province, Anhui Provincial Office, SAT, and Anhui Local Taxation Bureau with the certification number of GR201634000520 and the validity of three years. According to the relevant taxation regulations, the Anhui Konka could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2016 to 2018, and pay for the corporate income tax according to 15% of the preferential tax rate.

(6) On November 21, 2016, the subsidiary of the Company, Konka E-display acquired the certificate of high-technology enterprises joint issued by Shenzhen Science and Technology Innovation Committee, Finance Commission of Shenzhen Municipality, Shenzhen Municipal Office, SAT, and Shenzhen Local Taxation Bureau with the certification number of GR201644201332 and the validity of three years. According to the relevant taxation regulations, the Konka E-display could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2016 to 2018, and pay for the corporate income tax according to 15% of the preferential tax rate.

(7) According to CS[2011]No.58 Notice to Implement the Tax Policy Problem Related with Western Development Strategy, Chongqing Qingjia Electronics Co., Ltd., a subsidiary of our company shall pay the enterprise income tax according to the preferential rate of 15% from January 1, 2011 to December 31, 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, Shenzhen Konka Telecommunication Technology Co., Ltd., Shenzhen Konka Information Network Co., Ltd., Shenzhen Wankaida Science and Technology Co., Ltd. and Shenzhen Konka 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 January 1, 2017, the period-end refers to June 30, 2017 and this period refers to January – June 2017 with the last period of January – June 2016.

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	2,243.88	2,354.63
Bank deposits	2,326,783,835.34	2,020,900,590.51
Other monetary funds	163,293,524.85	596,703,311.28
Total	2,490,079,604.07	2,617,606,256.42
Of which: total amount deposited in overseas	443,043,503.51	643,590,382.98

Notes: The closing balance of other monetary fund 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
Income from agreement of forward foreign exchange purchase	855,984.37	39,894,844.12
Transactional financial assets	168,120,900.00	212,190,150.00
Foreign exchange option	5,052,542.28	
Total	174,029,426.65	252,084,994.12

3. Notes receivable

(1) Notes receivable listed by Item

Item	Closing balance	Opening balance
Bank acceptance bill	2,381,704,149.01	2,866,434,355.03
Trade acceptance	47,734,829.76	5,199,143.79
Total	2,429,438,978.77	2,871,633,498.82

(2) Notes receivable pledged at the period-end

Item	Amount
Bank acceptance bill	1,367,853,053.41
Total	1,367,853,053.41

Notes: Up to June 30, 2017, the Company pledged the banker's acceptance bill of the book value of RMB 1,367,853,053.41 for the comprehensive financing business such as handling the billing, letter of credit and the trading financing.

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

Item	Amount of recognition termination at the period-end	Amount of recognition termination at the period-end
Bank acceptance bill	596,282,708.80	—
Total	596,282,708.80	—

4. Accounts receivable

(1) Accounts receivable disclosed by category

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	24,105,446.05	1.05	24,105,446.05	100.00	0.00
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Group 1: aging group	2,172,166,790.55	94.18	234,656,920.97	10.80	1,937,509,869.58
Subtotal of groups	2,172,166,790.55	94.18	234,656,920.97	10.80	1,937,509,869.58
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	109,892,524.23	4.77	80,483,853.79	73.24	29,408,670.44
Total	2,306,164,760.83	100.00	339,246,220.81	14.71	1,966,918,540.02

(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	24,684,155.33	0.93	24,684,155.33	100.00	-
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	2,516,341,840.82	94.77	242,313,342.19	9.63	2,274,028,498.63
Subtotal of groups	2,516,341,840.82	94.77	242,313,342.19	9.63	2,274,028,498.63
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	114,253,229.55	4.30	80,316,179.69	70.30	33,937,049.86
Total	2,655,279,225.70	100.00	347,313,677.21	13.08	2,307,965,548.49

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
DSC HOLDINGS LIMITED	24,105,446.05	24,105,446.05	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	1,934,601,471.67	38,692,029.42	2.00
1 to 2 years	33,435,887.73	1,671,794.39	5.00
2 to 3 years	8,034,493.35	1,606,898.67	20.00
3 to 4 years	5,547,644.29	2,773,822.15	50.00
4 to 5 years	1,269,834.34	634,917.17	50.00
Over 5 years	189,277,459.17	189,277,459.17	100.00
Total	2,172,166,790.55	234,656,920.97	

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

Name	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
H-BUSTER DO BRASIL INDUSTRIA	18,509,467.26	18,509,467.26	100.00	Had difficulty in operation
HENAN BROADCAST & TELEVISION NETWORK CO., LTD.	18,320,000.00	5,496,000.00	30.00	evidence shows that the amount decreases by 30%
DAEWOO DISPLAY CORPORATION	12,692,138.85	12,692,138.85	100.00	Involved with lawsuit dispute

Name	Closing balance			
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
SHENZHEN TENGDA ELECTRIC APPLIANCE CO., LTD.	8,223,935.99	4,111,968.00	50.00	Involved with lawsuit dispute
MOTOM ELECTRONICS GROUP SPA	5,794,676.58	5,794,676.58	100.00	Involved with lawsuit dispute
Total	63,540,218.68	46,604,250.69	73.35	

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 6,382,342.47; the amount of the reversed or collected part during the Reporting Period was of RMB 13,333,986.11, no write-off amounts.

(3) Top five of account receivable of closing balance collected by arrears party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 949,856,183.56, 41.62% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB 18,997,123.67.

5. Prepayment

(1) List by aging analysis:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	730,562,127.56	98.25	1,119,839.73	269,405,925.30	96.52	1,461,427.25
1 to 2 years	5,925,151.86	0.80	232.67	3,335,844.57	1.20	36,710.13
2 to 3 years	9,405.00	0.00	470.25	2,265,192.49	0.81	415,058.47
Over 3 years	7,097,388.89	0.95	2,871,944.28	4,099,193.21	1.47	2,382,301.00
Total	743,594,073.31	100.00	3,992,486.93	279,106,155.57	100.00	4,295,496.85

Notes: (1) prepayments of significant amount and aged more than 1 year, of which the amount of RMB 8,146,945.00 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 collected according to the prepayment target

The total amount of top five of account receivable of closing balance collected by arrears party was RMB245,502,929.55, 33.02% of total closing balance of account receivable.

(3) The accrual bad debt reserve is RMB 35,186.42 this year; the withdrawing or reversing bad debt reserve is RMB 322,952.31.

6. Interests receivable

Item	Closing balance	Opening balance
Fixed term deposit interest	1,158,069.08	1,342,063.84
Entrusted loan interest	27,791.67	—
Total	1,185,860.75	1,342,063.84

7. Dividends receivable

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

8. Other accounts receivable

(1) Other account receivable classified by Item

Item	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	183,915,489.33	38.53	174,186,734.34	94.71	9,728,754.99
Other accounts receivable withdrawn bad debt provision					

Item	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
according to credit risks characteristics					
Group 1: aging group	288,041,256.20	60.34	24,293,649.44	8.43	263,747,606.75
Subtotal of groups	288,041,256.20	60.34	24,293,649.44	8.43	263,747,606.75
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	5,400,601.91	1.13	1,441,694.10	26.70	3,958,907.82
Total	477,357,347.44	100.00	199,922,077.88	41.88	277,435,269.56

(Continued)

Item	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	183,915,489.33	43.21	174,186,734.34	94.71	9,728,754.99
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	234,570,113.10	55.12	26,878,827.62	11.46	207,691,285.48
Subtotal of groups	234,570,113.10	55.12	26,878,827.62	11.46	207,691,285.48

Item	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	7,101,401.90	1.67	2,131,520.57	30.02	4,969,881.33
Total	425,587,004.33	100.00	203,197,082.53	47.75	222,389,921.80

① Other account receivable with insignificant single amount for which bad debt provision separately accrued

Other accounts receivable (unit)	Closing balance			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion	
Energy saving subsidy	152,402,680.00	152,402,680.00	100.00%	Irrecoverable
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	8,387,197.52	46.30%	Assessment irrecoverable for full amount
Chongqing Konka Auto Electronic Company	13,396,856.82	13,396,856.82	100.00%	Irrecoverable, under bankruptcy liquidation
Total	183,915,489.33	174,186,734.34	94.71%	—

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	232,049,383.58	4,640,987.66	2.00
1 to 2 years	25,458,687.47	1,272,934.37	5.00
2 to 3 years	12,969,329.40	2,593,865.88	20.00
3 to 4 years	3,054,459.23	1,527,229.62	50.00
4 to 5 years	501,529.22	250,764.61	50.00

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Over 5 years	14,007,867.30	14,007,867.30	100.00
Total	288,041,256.20	24,293,649.44	

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 1,160,417.80; the amount of the reversed or collected part during the Reporting Period was of RMB 4,159,432.06, no write-off amounts.

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

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
Energy-saving subsidies	Energy-saving subsidies	152,402,680.00	2-3 years, 4-5 years	31.93	152,402,680.00
Chuzhou Bureau of Finance	Land fund	73,500,000.00	Within 1 year	15.40	1,470,000.00
Customs of the People's Republic of China	Export refund	20,511,658.91	Within 1 year	4.30	410,233.18
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Transfer fund	18,115,952.51	3-4 years	3.80	8,387,197.52
Chongqing Konka Automotive Electronics Co., Ltd.	Current account	13,396,856.82	2-3 years, 3-4 years, 4-5 years, over 5 years	2.81	13,396,856.82
Total	—	277,927,148.24		48.15	176,066,967.52

9. Inventory

(1) Category

Item	Closing balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value

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	1,516,368,571.23			1,516,368,571.23
Development products	6,036,068.26	128,525.78		6,036,068.26
Subtotal	1,522,404,639.49	128,525.78	0.00	1,522,404,639.49
Non-development projects of the property:				
Raw materials	1,874,563,922.70		33,289,359.79	1,841,274,562.91
Semi-finished product	64,192,721.23		8,364,754.34	55,827,966.89
Inventory goods	3,199,778,821.51		244,943,725.65	2,954,835,095.86
Turnover material	141,198.43			141,198.43
Subtotal	5,138,676,663.87	0.00	286,597,839.78	4,852,078,824.09
Total	6,661,081,303.36	128,525.78	286,597,839.78	6,374,483,463.58

(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	1,394,176,034.85	—	—	1,394,176,034.85
Development products	7,596,482.12	141,378.83	—	7,596,482.12
Subtotal	1,401,772,516.97	141,378.83	—	1,401,772,516.97
Non-development projects of the property:				
Raw materials	781,934,686.08	—	31,054,247.46	750,880,438.62
Semi-finished product	83,957,767.23	—	8,872,936.27	75,084,830.96

Item	Opening balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Inventory goods	2,306,460,682.29	—	247,224,025.03	2,059,236,657.26
Turnover material	439,500.54	—	—	439,500.54
Subtotal	3,172,792,636.14	—	287,151,208.76	2,885,641,427.38
Total	4,574,565,153.11	141,378.83	287,151,208.76	4,287,413,944.35

(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 (Phase III, Phase IV)	December 2015	Year 2018	449,653,196.40	553,935,807.91
Kangqiao Jiacheng Project	October 2015	Year 2020	944,522,838.45	961,521,041.58
Chuzhou Technology Project	December 2017	Year 2019		911,721.74
Total			1,394,176,034.85	1,516,368,571.23

(3) List of the developed products

Name of item	Completion time	Opening amount	Increased	Decreased	Closing amount
Shuiyue Zhouzhuang Project(Phase I)	Year 2014	3,953,247.18			3,953,247.18
Shuiyue Zhouzhuang Project(Phase II)	Year 2015	3,643,234.94		1,560,413.86	2,082,821.08
Total		7,596,482.12		1,560,413.86	6,036,068.26

(4) Impairment of inventories

Item	Opening balance	Increased amount		Decreased amount			Closing balance
		Withdrawal	Other	Reverse	Write-off	Other decrease	
Raw materials	31,054,247.46	2,933,598.43		224,952.37	622,541.84		33,140,351.68

Item	Opening balance	Increased amount		Decreased amount			Closing balance
		Withdrawal	Other	Reverse	Write-off	Other decrease	
Semi-finished product	8,872,936.27	131,142.03		0.00	268,529.82		8,735,548.48
Inventory goods	247,224,025.03	12,628,069.47		3,070,068.22	12,060,086.66		244,721,939.62
Total	287,151,208.76	15,692,809.93	0.00	3,295,020.59	12,951,158.32	0.00	286,597,839.78

Notes: other decrease was due to the loss of control right to subsidiaries.

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

Item	Specific basis of withdrawal of falling price reserves of inventory	Reasons for write-off
Raw materials	Difference that the realizable net value was lower than the book value	Disposed in the current period
Semi-finished product	Difference that the realizable net value was lower than the book value	Disposed in the current period
Inventory goods	Difference that the realizable net value was lower than the book value	Disposed in the current period

(6) Closing balance of the inventory which includes capitalized borrowing expenses was RMB 128,525.78

10. Other current assets

Item	Closing balance	Opening balance
Financial products	1,570,016,568.58	299,745,437.03
Prepayments and deductible taxes	441,245,611.35	262,458,679.17
Total	2,011,262,179.93	562,204,116.20

11. Available-for-sale financial assets**(1) List 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	295,353,244.82	4,997,785.64	290,355,459.18	319,965,425.00	4,997,785.64	314,967,639.36
Of which: measured at fair value	40,665,244.82		40,665,244.82	55,777,425.00	—	55,777,425.00
Measured by cost	254,688,000.00	4,997,785.64	249,690,214.36	264,188,000.00	4,997,785.64	259,190,214.36
Total	295,353,244.82	4,997,785.64	290,355,459.18	319,965,425.00	4,997,785.64	314,967,639.36

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

Item	Available-for-sale equity instruments
Cost of the equity instruments	47,251,922.40
Fair value	40,665,244.82
Changed amount of the fair value accumulatively included in other comprehensive income	-6,586,677.58
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

Investee	Book balance			
	Period -begin	Increase	Decrease	Period-end
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	20,000,000.00			20,000,000.00
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	0.00
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
Beijing Konka Technology Co., Ltd	4,700,000.00			4,700,000.00
Chongqing Konka Automotive Electronic Co., Ltd.	—			0.00
Total	264,188,000.00	0.00	9,500,000.00	254,688,000.00

(Continued)

Investee	Depreciation reserves				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.	—	—	—	—	6.10	—
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—	—	—	—	13.57	—
Shenzhen A Dot TV Co., Ltd.	—	—	—	—	12.67	—
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00	9.60	—
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	2.40	—
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	—	—	—	—	4.26	—
ChinaAMC - Jiayi Overseas Orientation Programs	—	—	—	—	—	—
Hunan Vary Science & Technology Co., Ltd.	—	—	—	—	9.56	—
Nobel Education Investment Development Co., Ltd.	—	—	—	—	—	—

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increase	Decrease	Period-end		
Beijing Kanga Technology Co., Ltd	—	—	—	—	3.62	—
Chongqing Konka Eurotomotive Electronic Co., Ltd. (Note ①)	—	—	—	—	—	—
Total	4,997,785.64	—	—	4,997,785.64	—	—

Note: ① On March 27, 2015, Chongqing Jiangbei District People's Court accepted the application of bankruptcy liquidation from Chongqing Konka Automotive Electronic Co.,Ltd., a subsidiary of our company and appointed to establish the liquidation group, the company would not have the leading right on the related activity of Chongqing Konka Automotive Electronic Co.,Ltd. After entering into the bankruptcy procedure, it would not be included in the consolidation scope, and it would be classified again with the net value of zero to the available-for-sale financial asset.

(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	—

Category of available-for-sale financial assets	Available-for-sale equity instruments
Withdrawn impairment balance at the period-end	4,997,785.64

12. Long-term equity investment

Investee	Opening balance	Opening balance of impairment reserves	Increase/decrease in Reporting Period					
			Additional investment	Cost method converted into equity method	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
I. Associated enterprises:								
Enraytek Optoelectronics (Shanghai) Co., Ltd.	88,298,590.32	30,257,135.84						
Shenzhen Konka Energy Technology Co., Ltd.	3,649,728.08	3,649,728.08			3,649,728.08			
Shanghai Konka Green Science & Technology Co., Ltd.	85,791,460.71					-3,733,992.50	-449,802.04	-1,166,602.46
Zhuhai Jinsu Plastic Co., Ltd.	7,438,647.50					1,923,787.63		
Shenzhen Konka Precision Mold Manufacturing Co., Ltd	85,405,031.28					-2,387.64		
Dongguan Konka Mold Plastic Co.,	27,166,487.52							

Investee	Opening balance	Opening balance of impairment reserves	Increase/decrease in Reporting Period						
			Additional investment	Cost method converted into equity method	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	
Ltd									
Shenzhen Zhongbin Konka technology co., Ltd.	19,164,691.78						-3,060,432.97		
Shenzhen Konka Intelligent Electric Co., Ltd	6,213,908.63						-495,301.18		
Shenzhen Konka Information Network Co., Ltd	20,426,438.47						794,032.47		
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd			4,000,000.00						
Guangdong Chutian Dragon Smart Card Co., Ltd.			150,000,000.00						
Shenzhen Yaode Technology Co., Ltd			171,799,598.00						
Total	343,554,984.29	33,906,863.92	325,799,598.00	0.00	3,649,728.08	-4,574,294.19	-449,802.04	-1,166,602.46	

(Continued)

Investee	Increase/decrease in Reporting Period	Closing balance	Closing balance of
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	Declaration of cash dividends or profits	Withdrawn impairment provision	Equity converted into tradable financial assets		
I. Associated enterprises:					
Enraytek Optoelectronics (Shanghai) Co., Ltd.				88,298,590.32	30,257,135.84
Shenzhen Konka Energy Technology Co., Ltd.				0.00	0.00
Shanghai Konka Green Science & Technology Co., Ltd.				80,441,063.71	
Zhuhai Jinsu Plastic Co., Ltd.				9,362,435.13	
Shenzhen Konka Precision Mold Manufacturing Co., Ltd				85,402,643.64	
Dongguan Konka Mold Plastic Co., Ltd				27,166,487.52	
Shenzhen Zhongbin Konka technology co., Ltd.				16,104,258.81	
Shenzhen Konka Intelligent Electric Co., Ltd				5,718,607.45	
Shenzhen Konka Information Network Co., Ltd				21,220,470.94	
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd				4,000,000.00	
Guangdong Chutian Dragon Smart Card Co., Ltd.				150,000,000.00	

Investee	Increase/decrease in Reporting Period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Equity converted into tradable financial assets		
Shenzhen Yaode Technology Co., Ltd				171,799,598.00	
Total				659,514,155.52	30,257,135.84

13. Investment property

Investment property adopted the cost measurement mode

Item	Houses and buildings	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		
1. Opening balance	27,836,143.49	27,836,143.49
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	30,651,780.64	30,651,780.64
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	219,271,267.11	219,271,267.11
2. Opening book value	222,086,904.26	222,086,904.26

14. Fixed assets**(1) List of fixed assets**

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
I. Original book value						
1. Opening balance	1,585,782,685.49	758,663,226.60	212,512,639.28	53,668,633.02	169,982,040.39	2,780,609,224.78
2. Increased amount of the period	426,220.22	17,504,505.72	8,032,993.43	1,690,710.33	2,702,592.78	30,357,022.48
(1) Purchase	426,220.22	2,777,220.18	8,032,993.43	1,690,710.33	2,702,592.78	15,629,736.94
(2) Transfer of project under construction		14,727,285.54				14,727,285.54
3. Decreased amount of the period	721,422.82	4,934,460.03	19,964,185.75	2,094,235.69	3,234,950.46	30,949,254.75
(1) Disposal or Scrap	721,422.82	4,934,460.03	19,964,185.75	2,094,235.69	3,234,950.46	30,949,254.75
(2) Other						0.00
4. Closing balance	1,585,487,482.89	771,233,272.29	200,581,446.96	53,265,107.66	169,449,682.71	2,780,016,992.51
II. Accumulative depreciation						
1. Opening balance	392,850,477.50	462,360,402.61	163,374,809.37	39,315,097.11	123,516,834.06	1,181,417,620.65

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
2. Increased amount of the period	18,613,936.20	24,358,346.66	5,717,058.03	1,714,940.31	6,969,489.05	57,373,770.25
(1) Withdrawal	18,613,936.20	24,358,346.66	5,717,058.03	1,714,940.31	6,969,489.05	57,373,770.25
3. Decreased amount of the period	182,014.07	3,720,311.79	17,907,864.12	1,559,641.60	2,854,875.57	26,224,707.15
(1) Disposal or Scrap	182,014.07	3,720,311.79	17,907,864.12	1,559,641.60	2,854,875.57	26,224,707.15
(2) Other						0.00
4. Closing balance	411,282,399.63	482,998,437.48	151,184,003.28	39,470,395.82	127,631,447.54	1,212,566,683.75
III. Depreciation reserves						
1. Opening balance	2,006,749.30	16,777,278.59	3,760,562.66	950,517.86	1,717,581.69	25,212,690.10
2. Increased amount of the period	0.00	2,579.50	48,191.00	0.00	60,906.71	111,677.21
(1) Withdrawal	0.00	2,579.50	48,191.00	0.00	60,906.71	111,677.21
3. Decreased amount of the period	0.00	135,594.31	1,777,624.43	0.00	199,892.10	2,113,110.84
(1) Disposal or Scrap	0.00	135,594.31	1,777,624.43	0.00	199,892.10	2,113,110.84
(2) Other						0.00

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
4. Closing balance	2,006,749.30	16,644,263.78	2,031,129.23	950,517.86	1,578,596.30	23,211,256.47
IV. Book value						
1. Closing book value	1,172,198,333.96	271,590,571.03	47,366,314.45	12,844,193.98	40,239,638.87	1,544,239,052.29
2. Opening book value	1,190,925,458.69	279,525,545.40	45,377,267.25	13,403,018.05	44,747,624.64	1,573,978,914.03

Notes: other decrease was due to the loss of control right to subsidiaries.

(2) List of Temporarily Idle Fixed Assets

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
Houses and buildings	39,474,322.57	20,230,130.99	542,558.97	18,701,632.61	
Mechanical equipment	25,533,099.58	11,996,854.48	8,321,804.55	5,214,440.55	
Transportation equipment	1,732,582.00	1,595,054.30	100,422.20	37,105.50	
Electronic equipment	21,893,797.12	20,551,591.46	1,021,928.09	320,277.57	
Other equipment	1,752,076.39	1,345,351.28	263,805.28	142,919.83	
Total	90,385,877.66	55,718,982.51	10,250,519.09	24,416,376.06	

(3) Fixed Assets Leased in from Financing Lease

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Mechanical equipment	5,988,219.52	1,953,324.23		4,034,895.29
Electronic equipment	205,128.20	95,726.49		109,401.71
Total	6,193,347.72	2,049,050.72		4,144,297.00

(4) Fixed Assets Leased out from Operation Lease

Item	Closing book value
Houses and buildings	23,232,191.19
Total	23,232,191.19

(5) Details of Fixed Assets Failed to Accomplish Certification of Property

Item	Book value	Reason
Yikang building	45,739,032.33	Under processing
Kangsheng Aquatic Club	19,359,810.34	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	12,197,713.76	Under processing
Kunming office building	5,248,901.73	Under processing
Guyang Huaguoyuan Property	3,540,181.14	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	361,913,329.77		361,913,329.77	286,093,111.12	—	286,093,111.12
Kunshan gallery	1,643,881.07		1,643,881.07	1,643,881.07	—	1,643,881.07
Green Park project	21,743,404.48		21,743,404.48	—	—	—
Other small projects	19,149,556.76		19,149,556.76	27,799,444.86	—	27,799,444.86
Total	404,450,172.08	0.00	404,450,172.08	315,536,437.05	—	315,536,437.05

(2) Changes of Significant Construction in Progress

Name of 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	444,600,000.00	286,093,111.12	75,820,218.65			361,913,329.77
Kunshan gallery	26,320,000.00	1,643,881.07				1,643,881.07
Green Park project	35,000,000.00	8,061,797.71	13,681,606.77			21,743,404.48
Other small projects		19,737,647.15	14,139,195.15	14,727,285.54		19,149,556.76
Total	505,920,000.00	315,536,437.05	103,641,020.57	14,727,285.54	0.00	404,450,172.08

Notes: Other decrease was mainly generated from the loss of control over subsidiaries.

(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 gallery	6.25	6.25	—	—	—	Self-owned fund
Kunshan hotel	90	99	832,313.28	—	—	Loans to financial institutions and self-owned fund

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	316,997,134.11	40,234,111.64	3,519,159.61	56,205,873.76	416,956,279.12
2. Increased amount of the period				1,519,158.67	1,519,158.67
(1) Purchase				1,519,158.67	1,519,158.67
(2) Transfer of project under construction					0.00
3. Decreased amount of the period	45,617,181.03				45,617,181.03
(1) Disposal	45,617,181.03				45,617,181.03
(2) Other decrease					0.00
4. Closing balance	271,379,953.08	40,234,111.64	3,519,159.61	57,725,032.43	372,858,256.76
II. Accumulated amortization					0.00
1. Opening balance	53,371,371.76	33,745,464.74	3,412,215.10	21,480,517.47	112,009,569.07
2. Increased amount of the period	2,577,266.19	346,235.48		2,591,356.68	5,514,858.35

Item	Land use right	Patent right	Trademark registration expense	Others	Total
(1) Withdrawal	2,577,266.19	346,235.48		2,591,356.68	5,514,858.35
3. Decreased amount of the period					
(1) Disposal					
(2) Other decrease					
4. Closing balance	55,948,637.95	34,091,700.22	3,412,215.10	24,071,874.15	117,524,427.42
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					
(1) Disposal					
(2) Other decrease					
4. Closing balance		2,901,082.61			2,901,082.61
IV. Book value					-
1. Closing book value	215,431,315.13	3,241,328.81	106,944.51	33,653,158.28	252,432,746.73
2. Opening book value	263,625,762.35	3,587,564.29	106,944.51	34,725,356.29	302,045,627.44

Notes: Other decrease was mainly generated from the loss of control over subsidiaries.

(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	Opening balance	Increase	Decrease	Closing balance
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the events formed goodwill		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

For more information on the method of impairment test and impairment provision, please refer to Note IV.19.

As of June 30, 2017, there was no book value of goodwill higher than recoverable amount.

18. Long-term Unamortized Expenses

Item	Opening balance	Increased amount	Amortization amount	Decrease of others	Closing balance
Renovation costs	16,313,225.16	5,011,364.82	3,734,066.14	0.00	17,590,523.84
Shop fees	51,212,313.70	25,845,674.19	22,994,414.21	0.00	54,063,573.68
Others	24,375,994.53	4,103,436.15	5,381,830.54	0.00	23,097,600.14
Total	91,901,533.39	34,960,475.16	32,110,310.89	0.00	94,751,697.66

Notes: Other decrease was mainly generated from the loss of control over subsidiaries.

19. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) List of Deferred Income Tax Assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	740,047,560.61	183,885,720.72	746,292,412.93	184,974,531.80
Unrealized internal sales gain and loss	101,199,694.08	25,299,923.52	100,026,922.96	25,006,730.74
Accrued expenses	102,944,305.25	25,080,837.16	113,547,244.37	28,241,712.82
Deferred income	91,842,840.87	22,029,567.24	90,555,138.14	21,799,952.55
Deductible losses	1,737,704,820.92	434,109,795.78	1,622,776,529.02	405,694,132.25
Others	170,769,999.52	42,692,499.88	144,068,370.06	36,017,092.52
Total	2,944,509,221.25	733,098,344.30	2,817,266,617.48	701,734,152.68

Notes: Others were refundable subsidy for energy-saving without actual refund, accrued

liabilities, advance house payment, advance earnest money and payroll payable.

(2) List of Deferred Income Liabilities

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Accelerated depreciation of fixed assets	7,075,362.87	1,061,304.43	6,867,714.25	1,030,157.14
Change of fair value of trading financial assets	0.00	0.00	39,557,580.99	9,889,395.25
Change in fair value of available-for-sale financial assets	0.00	0.00	8,547,425.00	2,136,856.25
Unrealized profits from internal transactions	71,782,644.68	17,945,661.17	14,848,590.56	3,712,147.64
Accrued taxes	10,435,499.44	2,608,874.86	9,577,050.20	2,394,262.55
Total	89,293,506.99	21,615,840.46	79,398,361.00	19,162,818.83

(3) List of Unrecognized Deferred Income Tax Assets

Item	Closing balance	Opening balance
Deductible temporary difference	212,724,693.73	215,783,474.69
Deductible losses	1,219,362,942.89	1,198,447,416.45
Total	1,432,087,636.62	1,414,230,891.14

20. Other Non-current Assets

Item	Closing balance	Opening balance
Entrust loans	20,000,000.00	0.00
Total	20,000,000.00	0.00

21. Assets Impairment Provision

Item	Opening balance	Withdrawn impairment balance at the period-begin	Decreased		Closing balance
			Reverse	Write-off	
I. Bad debt provision	554,806,256.59	7,577,946.69	17,816,370.48	1,407,047.18	543,160,785.62
II. Impairment of inventories	287,151,208.76	15,692,809.93	3,295,020.59	12,951,158.32	286,597,839.78
III. Impairment provision of the available-for-sale	4,997,785.64	0.00		0.00	4,997,785.64

Item	Opening balance	Withdrawn	Decreased		Closing balance
financial assets					
IV. Impairment provision of the fixed assets	25,212,690.10	111,677.21		2,113,110.84	23,211,256.47
V. Impairment provision of the intangible assets	2,901,082.61	0.00		0.00	2,901,082.61
VI. Long-term equity investment	33,906,863.92	0.00		3,649,728.08	30,257,135.84
Total	908,975,887.62	23,382,433.83	21,111,391.07	20,121,044.42	891,125,885.96

22. Short-term Loans

Category of Short-term Loans

Item	Closing balance	Opening balance
Guaranteed loan (Note)	591,952,161.09	720,088,506.52
Credit loan	10,153,012,949.04	5,842,745,719.99
Total	10,744,965,110.13	6,562,834,226.51

Note: The closing balance of guaranteed loan of related party in guaranteed loan was RMB591,952,161.09. For more details, please refer to Note XI. 5(4).

23. 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	20,181,325.74	337,263.13
Total	20,181,325.74	337,263.13

24. Notes Payable

Category	Closing balance	Opening balance
Trade acceptance	56,604,230.04	259,499,645.15
Bank acceptance bill	843,307,056.18	604,209,493.24
Total	899,911,286.22	863,709,138.39

Notes: The amount of notes payable due during the next accounting period was RMB899,911,286.22.

25. Accounts Payable

(1) List of Accounts Payable

Item	Closing balance	Opening balance
Within 1 year	2,204,229,902.21	3,051,643,650.52
1 to 2 years	24,227,354.00	53,050,351.35
2 to 3 years	20,777,516.86	10,532,651.04
Over 3 years	47,980,367.70	44,846,922.65
Total	2,297,215,140.77	3,160,073,575.56

(2) Notes of the Accounts Payable Aging over One Year

Item	Closing balance	Unpaid/ Un-carry-over reason
Estimated construction costs	28,486,306.70	Unsettled
Accounts from the transfer of equity	9,543,100.00	Unsettled
Total	38,029,406.70	

26. Advance from Customers**(1) List of Advance from Customers**

Item	Closing balance	Opening balance
Within 1 year	1,645,102,587.82	1,160,427,420.29
1 to 2 years	23,635,582.74	19,169,243.24
2 to 3 years	365,269.67	6,518,376.19
Over 3 years	9,286,570.27	15,311,183.98
Total	1,678,390,010.50	1,201,426,223.70

(2) The Significant Advance from Customers Aging over 1 year was Mainly Generated from the Advance from Customers from Companies without Continuous Cooperation.

(3) Advance Receipts of Houses

Item	Closing balance	Opening balance
Shuiyue Zhouzhuang Project (Phase I Residence)	1,635,098.00	1,345,098.00
Shuiyue Zhouzhuang Project (Phase II Residence)	1,608,868.00	2,560,000.00

Item	Closing balance	Opening balance
Shuiyue Zhouzhuang Project (Phase II Residence)	928,845,428.00	890,759,963.00
Total	932,089,394.00	894,665,061.00

27. Payroll Payable

(1) List of Payroll Payable

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
I. Short-term salary	269,328,946.11	651,894,639.51	750,826,484.09	0	170,397,101.53
II. Post-employment benefit-defined contribution plans	2,067,376.48	55,267,430.99	54,878,592.67		2,456,214.80
III. Termination benefits	1,663,194.06	623,418.40	2,188,991.18		97,621.28
IV. Other benefits due within one year					0
Total	273,059,516.65	707,785,488.90	807,894,067.94	0	172,950,937.61

Notes: The other decrease of the year was generated from the loss of control over subsidiaries.

(2) List of Short-term Salary

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
1. Salary, bonus, allowance, subsidy	259,948,249.68	567,441,027.96	672,099,201.27		155,290,076.37
2. Employee welfare	1,210,626.63	32,381,092.08	27,957,944.98		5,633,773.73
3. Social insurance	1,799,379.97	28,512,836.10	27,603,281.93		2,708,934.14
Of which: 1. Medical insurance premiums	894,422.89	24,454,580.19	24,002,166.26		1,346,836.82

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
Work-related injury insurance	180,237.94	2,228,378.09	2,237,061.20		171,554.83
Maternity insurance	724,719.14	1,829,877.82	1,364,054.47		1,190,542.49
4. Housing fund	1,313,004.12	10,816,260.71	11,665,431.72		463,833.11
5. Labor union budget and employee education budget	4,314,422.20	5,524,803.61	3,829,764.64		6,009,461.17
6. Short-term absence with payment	—				0
7. Short-term profit sharing plan	—				0
8. Other	743,263.51	7,218,619.05	7,670,859.55		291,023.01
Total	269,328,946.11	651,894,639.51	750,826,484.09	0	170,397,101.53

Notes: The other decrease of the year was generated from the loss of control over subsidiaries.

(3) List of Drawing Scheme

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance
1. Basic pension benefits	1,929,475.33	53,419,061.57	53,021,070.86		2,327,466.04
2. Unemployment insurance	137,901.15	1,848,369.42	1,857,521.81		128,748.76
3. Annuity	—				0.00
Total	2,067,376.48	55,267,430.99	54,878,592.67		2,456,214.80

Notes: The other decrease of the year was generated from the loss of control over subsidiaries.

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.

28. Taxes Payable

Item	Closing balance	Opening balance
VAT	6,235,397.21	22,004,630.74
Corporate income tax	29,341,831.95	47,284,465.50
Fund for disposing abandoned appliances and electronic products	11,854,045.00	22,247,050.00
Land use tax	7,887,162.23	7,665,004.34
Real estate tax	4,023,557.21	5,981,502.18
Business tax	1,005,946.96	5,657,810.54
Tariff	4,413,293.36	4,840,472.49
Personal income tax	2,819,699.91	3,057,758.99
Urban maintenance and construction tax	451,931.85	1,045,876.46
Stamp duty	351,288.38	1,038,401.33
Education fees and local education Surcharge	255,167.09	762,586.83
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	29,807.37	2,661.16
Others	202,926.43	317,200.62
Total	68,872,054.95	121,905,421.18

29. Interest Payable

Item	Closing balance	Opening balance
Loan interests	30,119,490.82	21,344,172.45
Total	30,119,490.82	21,344,172.45

30. Other Accounts Payable

(1) Other Accounts Payable Listed by Nature of the Account

Item	Closing balance	Opening balance
Accrued expenses	678,797,416.33	1,024,955,359.82
Margin	223,657,959.46	200,962,374.64
Intercourse funds	143,376,312.99	140,710,255.05

Item	Closing balance	Opening balance
Payment on behalf	3,438,817.44	9,468,406.97
Others	83,247,789.89	68,253,590.26
Total	1,132,518,296.11	1,444,349,986.74

(2) Other Significant Accounts Payable with Aging over One Year

Item	Closing balance	Unpaid/ Un-carry-over reason
Cash deposit	70,959,377.96	Unsettled
Total	70,959,377.96	—

31. Non-current Liabilities Due within 1 Year

Item	Closing balance	Opening balance
Long-term loans due within 1 year(Note: 31)	—	—
Long-term loans due within 1 year(Note: 32)	301,282.02	41,025.60
Total	301,282.02	41,025.60

32. Long-term Loan

Item	Closing balance	Opening balance
Mortgage loan	—	—
Guaranteed loan	—	—
Credit loan	70,000,000.00	70,000,000.00
Less: long-term loans due within 1 year(Note: 30)	—	—
Total	70,000,000.00	70,000,000.00

33. 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	446,153.86	143,589.74
Less: Expired part due within 1 year (Notes: 30)	301,282.02	41,025.60
Total	30,144,871.84	30,102,564.14

34. Long-term Payroll Payable

(1) List of Long-term Payroll Payable

Item	Closing balance	Opening balance
I. Termination benefits-net liabilities of defined contribution plans	15,614,846.48	18,151,659.90
II. Termination benefits	—	—
III. Other long term welfare	—	—
Total	15,614,846.48	18,151,659.90

(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	18,151,659.90	23,435,856.86
II. Defined benefit cost recorded into current profits and losses		—
1. Current service cost		—
2. Previous service cost		—
3. Settlement gains (loss “—”)		—
III. Other changes	2,536,813.42	5,284,196.96
1. Consideration of settlement of payment		—
2. Welfare had paid	2,536,813.42	5,284,196.96
IV. Closing balance	15,614,846.48	18,151,659.90

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).

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%	—

35. Estimated Liabilities

Item	Opening balance	Closing balance	Formed reason
Pending litigation	4,711,597.59	4,711,597.59	Litigation
Employee compensation	2,840,387.51	2,840,387.51	Contract consideration
Total	7,551,985.10	7,551,985.10	

36. Deferred Revenue

Item	Opening balance	Increase	Decrease	Other decrease of the year	Closing balance	Formed reason
Government subsidies	130,571,125.42	7,942,660.60	11,561,486.48	192.24	126,952,107.30	Amortization
Total	130,571,125.42	7,942,660.60	11,561,486.48	192.24	126,952,107.30	—

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	10,530,000.00		1,755,000.00		8,775,000.00	Related to the assets
Smart TV industry chain of Konka Group Co., Ltd.	12,800,000.00		213,333.33		12,586,666.67	Related to the assets
Shenzhen Finance Committee Konka Group Smart TV Industry Project	8,170,000.00		136,166.67		8,033,833.33	Related to the assets
Supporting the next generation Internet intelligent terminal system R & D and industrialization	7,776,925.55	2,000,000.00	1,024,207.11		8,752,718.44	Related to the assets
R&D of mating core chip based on the terminal of AVS/DRA	5,620,000.00		0.00		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		0.00		5,256,893.21	Related to the assets
Konka next generation multimedia terminal technology engineering laboratory project	5,000,000.00		0.00		5,000,000.00	Related to the assets
Fund for flat panel display industry in year 2008	2,499,999.90		1,000,000.02		1,499,999.88	Related to the assets
Mobile intelligent terminal new application service system	4,000,000.00		0.00		4,000,000.00	Related to the assets
Key technology and industrialization of LED Backlight of flat TV set	2,750,000.05		499,999.98		2,250,000.07	Related to the assets
Special Fund of Strategic Emerging Industry of Dongguan Financial Bureau	3,000,000.00		300,000.00		2,700,000.00	Related to the assets
Economic, trade and information commission, 2015 Shenzhen	6,620,000.00		0.00		6,620,000.00	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
Industrial Design Center subsidy						
Supporting the research and development and industrialization of synergy internet-connected digital products	2,600,000.00		0.00		2,600,000.00	Related to the assets
Special fund for 2010-2012 provincial finance industrial technology	2,136,666.58		210,000.00		1,926,666.58	Related to the assets
Funds for provincial scientific and technological innovation and special guidance of achievements transfer of 2010	1,956,521.76		260,869.56		1,695,652.20	Related to the assets
Machine module integration subsidy	2,175,000.00		150,000.00		2,025,000.00	Related to the assets
TV application oriented and embedded operating system development	2,470,000.00		174,200.00		2,295,800.00	Related to the assets
mobile intelligent terminal information security system key	2,400,000.00		0.00		2,400,000.00	Related to the assets
Research and development and industrialization of Dual channel new 3 D smart TV	1,996,166.67		202,999.98		1,793,166.69	Related to the assets
Lean manufacturing execution system comprehensive integrated innovation projects	2,000,000.00		0.00		2,000,000.00	Related to the assets
R&D and industrialization of large size liquid crystal display module (LCM)					0.00	Related to the assets
Supporting triple play smart TV and system support platform	1,466,666.68		199,999.98		1,266,666.70	Related to the assets
Research instruments subsidies	1,227,333.25		210,400.02		1,016,933.23	Related to the assets
Mobile intelligent terminal new application service system	850,000.00		300,000.00		550,000.00	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 internet and the 4G mobile communication industry	4,000,000.00		0.00		4,000,000.00	Related to the assets
Others	27,637,230.66	5,942,200.00	3,803,915.79		29,775,514.87	Related to the assets
Subtotal	126,939,404.31	7,942,200.00	10,441,092.44	0.00	124,440,511.87	
Others	3,631,721.11	460.60	1,120,394.04	192.24	2,511,595.43	Related to the income
Subtotal	3,631,721.11	460.60	1,120,394.04	192.24	2,511,595.43	
Total	130,571,125.42	7,942,660.60	11,561,486.48	192.24	126,952,107.30	

37. 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

38. Capital Surplus

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	7,393,378.55			7,393,378.55
Other capital reserves	72,329,713.49		1,166,602.46	71,163,111.03
Total	79,723,092.04	0.00	1,166,602.46	78,556,489.58

Notes: The decrease of other capital surplus was generated from the changes in owner's equity excluding the net gain/loss of Shanghai Konka Green Technology Co., Ltd. with the amount of RMB1,166,602.46.

39. 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 cannot be reclassified into profits and losses in future	—						
II. Other comprehensive reclassified into profits or losses	-6,932,104.65	-6,012,664.59	0.00	-3,786,104.00	-2,249,706.48	23,145.89	-9,181,811.13
Of which: other comprehensive income as per equity method recognized into profit and loss in future					0.00		0.00
Profits or losses of change in fair value of available-for-sale financial assets	6,410,568.76	-15,134,102.58		-3,786,104.00	-11,347,998.58		-4,937,429.82
Converted difference of the foreign currency financial statement	-13,342,673.41	9,121,437.99			9,098,292.10	23,145.89	-4,244,381.31
Total	-6,932,104.65	-6,012,664.59	0.00	-3,786,104.00	-2,249,706.48	23,145.89	-9,181,811.13

40. 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.

41. Retained Profits

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	-427,163,254.63	-522,836,282.66
Total opening balance of retained profits before adjustments (Increase+, decrease-)	—	—
Opening balance of retained profits after adjustments	-427,163,254.63	-522,836,282.66
Add: Net profit attributable to owners of the Company	30,871,267.86	95,673,028.03
Less: Withdrawal of statutory surplus reserves	—	—
Withdrawal of discretionary surplus reserves	—	—
Dividend of common stock payable	—	—
Dividend of common stock transfer into share capital	—	—
Closing retained profits	-396,291,986.77	-427,163,254.63

42. 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	11,116,190,367.22	9,941,054,112.21	7,724,414,205.37	6,397,747,058.44

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Other operations	289,775,612.21	169,137,145.86	884,666,616.87	779,978,033.98
Total	11,405,965,979.43	10,110,191,258.07	8,609,080,822.24	7,177,725,092.42

(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	5,289,992,150.21	4,431,743,317.09	5,367,972,378.49	4,468,618,453.12
Consumer appliances business	891,933,843.48	726,049,054.97	829,752,654.59	648,051,838.45
Mobile phone business	420,602,444.99	365,383,403.95	471,731,609.94	415,431,430.93
Supply chain business	4,307,330,068.12	4,247,646,007.45		
Others	206,331,860.42	170,232,328.75	1,054,957,562.35	865,645,335.94
Total	11,116,190,367.22	9,941,054,112.21	7,724,414,205.37	6,397,747,058.44

(3) Main Operations (Classified by Area)

Area	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	7,343,613,290.29	6,314,287,989.74	5,176,447,693.40	4,024,605,977.81
Overseas sales	3,772,577,076.93	3,626,766,122.47	2,547,966,511.97	2,373,141,080.63
Total	11,116,190,367.22	9,941,054,112.21	7,724,414,205.37	6,397,747,058.44

(4) Other Business

Product	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Income gained from supply chain			598,960,641.11	591,804,734.74
Others	289,775,612.21	169,137,145.86	534,917,991.67	444,108,975.70
Total	289,775,612.21	169,137,145.86	1,133,878,632.78	1,035,913,710.44

(5) The Revenue of Sales from the Top Five Customers

Period	Main operation revenue	Proportion of total business revenue (%)
January-June 2017	2,662,113,944.10	23.34
January-June 2016	1,776,976,457.55	20.64

43. Business Tax and Surcharges

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	9,045,781.48	20,776,311.03
VAT of land	102,929.05	
Business tax	47,500.00	13,191,515.48
Education Surcharge	4,011,787.05	9,430,266.44
Local education surtax	2,617,655.26	6,021,776.47
Stamp duty	4,633,250.57	—
Real estate tax	6,808,790.65	—
Land use tax	5,698,979.66	—
Vehicles and vessels fees	13,620.00	—
Water conservancy fund	457,748.63	—
Others	991,549.69	6,730,072.12
Total	34,429,592.04	56,149,941.54

Note: (1) After replacing business tax with value added tax is fully tried according to CK [2016] No. 22 Provision on VAT Accounting Treatment issued by the Ministry of Finance, the course title of “business tax and surcharge” is adjusted to be the course of “tax and surcharge”, the course checks the consumption tax, urban maintenance and construction tax, resource tax, educational expense and surcharge and property tax, land use tax, vehicle and vessel use tax, stamp tax and other related taxes occurred in the enterprise’s operating activity; the project of “business tax and surcharge” in the profit statement is adjusted as the project of “tax and surcharge”.

(2) For more details about the measurement standards of business tax and surcharges, please refer to Note V. Tax.

44. Sales Expenses

Item	Reporting Period	Same period of last year
Salary	146,655,505.33	157,536,220.65
Promotional activities	320,216,302.42	372,587,893.03
Logistic Fee	148,814,891.66	154,776,709.59
Warranty fee	114,430,603.12	167,856,546.55
Advertising expense	93,547,508.94	91,273,551.74
Social security charges	21,205,649.26	21,910,951.20
Business travel charges	16,044,394.98	17,770,918.55
Rental charges	14,424,674.47	15,085,828.42
Business entertainment expense	10,651,455.99	11,450,052.22
Exhibition fee	6,530,558.33	6,719,144.35
Others	81,481,762.04	92,179,107.31
Total	974,003,306.54	1,109,146,923.61

45. Administrative Expenses

Item	Reporting Period	Same period of last year
R&D expenses	96,753,027.87	88,336,972.44
Salary	68,075,439.56	73,525,422.30
Depreciation charge	16,955,414.43	16,536,843.42
Social security charges	9,395,168.52	11,042,691.24
Business entertainment expense	8,204,092.21	7,228,540.05
Consulting fees	6,907,424.07	3,993,681.74
Tax and fund	0.00	17,286,987.83
Business travel charges	4,518,651.08	4,382,095.57
Employee welfare	6,552,271.96	6,728,436.24
Labor-union expenditure	3,456,348.07	3,969,760.83
Others	43,290,263.20	57,887,858.36
Total	264,108,100.97	290,919,290.02

46. Financial Expenses

Item	Reporting Period	Same period of last year
Interest expenses	165,919,248.32	115,905,577.29

Item	Reporting Period	Same period of last year
Less: Interest income	61,587,922.88	47,941,503.94
Exchange gains and losses	-94,091.34	-223,594.54
Others	6,645,661.36	632,953.19
Total	110,882,895.46	68,373,432.00

47. Asset Impairment Loss

Item	Reporting Period	Same period of last year
Bad debt loss	-10,238,423.79	8,154,439.14
Inventory falling price loss	12,397,789.34	28,006,901.30
Fixed assets impairment losses	111,677.21	3,093,224.90
Total	2,271,042.76	39,254,565.34

48. Gains and Losses from Changes in Fair Value

Sources	Reporting Period	Last period
Financial assets measured by fair value and the changes be included in the current profits and losses	-103,077,757.73	-18,141,655.39
Of which, gains on the changes in the fair value of derivative financial instruments	-103,077,757.73	-18,141,655.39
Total	-103,077,757.73	-18,141,655.39

49. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	-4,574,294.19	-7,531,575.68
Investment income arising from disposal of long-term equity investments	28,234.62	3,030,280.93
Investment income received from holding of available-for-sale financial assets	0.00	1,310,000.00
Investment income received from disposal of available-for-sale financial assets	25,048,785.15	44,703.62
Investment income received from holding of available-for-sale trading financial assets	263,100.00	
Income received from re-measurement of the rest of stock at fair value after losing control rights		4,510,212.49

Item	Reporting Period	Same period of last year
Financial assets accounted by equity method transferred from equity investment		
Income received from purchase of financial products and entrust loans	30,338,020.11	9,222,760.26
Investment income received from the disposal of financial assets/liabilities measured by fair value and the changes be included in the current profits and losses	15,901,726.37	—
Total	67,005,572.06	10,586,381.62

50. Other Income

Item	Reporting Period	Same period of last year
Tax refund of software	35,115,965.51	0.00
Subsidy for export credit insurance	1,722,426.00	0.00
Total	36,838,391.51	0.00

51. 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	33,597,795.57	3,147,161.67	33,597,795.57
Including: Gains from disposal of fixed assets	228,629.18	3,147,161.67	228,629.18
Government grants (Details, see the statement below, lists of government subsidies)	79,034,666.86	136,544,386.15	79,034,666.86
Income from compensation		7,639,245.00	
Penalty income	3,366,979.21	2,148,787.76	3,366,979.21
Others	7,347,666.65	4,708,082.06	7,347,666.65
Total	123,347,108.29	154,187,662.64	123,347,108.29

Of which, government subsidies recorded into current profits and losses

Item	Reporting Period	Same period of last year	Related to the assets/ income
Software tax returns	0.00	84,594,956.03	Related to the income
Support fund	40,225,800.00	29,076,900.00	Related to the income
Deferred income	11,561,486.48	12,057,366.44	See Note VI. 35

Item	Reporting Period	Same period of last year	Related to the assets/ income
Awards and subsidies	21,005,000.00		Related to the income
Refund of land tax	1,948,800.00		Related to the income
Others	4,293,580.38	10,815,163.68	Related to the income
Total	79,034,666.86	136,544,386.15	

52. Non-operating Expenses

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	1,065,392.90	617,565.57	1,065,392.90
Including: Loss on disposal of fixed assets	1,065,392.90	617,565.57	1,065,392.90
Compensation expenses	1,531.07		1,531.07
Penalty expenses	52,501.63	1,344,333.27	52,501.63
External donation expenses	13,600.00	28,000.00	13,600.00
Refundable national subsidy for energy-saving			
Others	2,502,512.51	1,541,119.52	2,502,512.51
Total	3,635,538.11	3,531,018.36	3,635,538.11

53. Income Tax Expense

(1) Lists of Income Tax Expense

Item	Reporting Period	Same period of last year
Current income tax expense	21,286,293.02	41,114,706.11
Deferred income tax expense	-25,125,065.99	-40,408,709.01
Total	-3,838,772.97	705,997.10

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Item	Reporting Period
Total profits	30,557,559.61

Current income tax expense accounted by tax and relevant regulations	7,639,389.90
Influence of different tax rate suitable to subsidiary	-3,376,311.10
Influence of income tax before adjustment	-726,692.04
Influence of non taxable income	-2,265,211.18
Influence of not deductible costs, expenses and losses	561,232.11
Influence of deductible losses of deferred income tax assets derecognized used in previous period	-4,832,078.47
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	-839,102.19
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	-3,838,772.97

54. Other Comprehensive Income

For more details, please refer to Note VI. 39.

55. Information of Cash Flow Statement

(1) Other Cash Received Relevant to Operating Activities

Item	Reporting Period	Same period of last year
Income from government subsidy	73,794,757.98	43,649,169.82
Bargain money and deposit	35,452,861.96	33,299,181.92
Interest income from bank deposits	7,386,176.08	23,481,811.90
Income from waste	5,528,381.42	6,679,741.15
Repayment of individual borrowing	2,369,554.91	2,937,490.67
Insurance indemnity		6,000.00
Temporary received repair fund	2,820,613.27	681,957.93
Income from fine and penalty	170,823.92	318,724.35
Current accounts and other	114,981,420.88	154,798,397.77
Total	242,504,590.42	265,852,475.51

(2) Other Cash Paid Relevant to Operating Activities

Item	Reporting Period	Same period of last year
Expense for cash payment	619,722,220.51	470,234,898.51
Payment made on behalf	16,655,746.00	23,090,996.59
Payment for pledges, guarantee and repair	55,078,829.30	42,278,211.56
Employee reserve fund	10,359,585.52	11,796,262.92
Expense for bank handling charges	9,929,886.88	4,984,527.17
Donation expense	0.00	28,000.00
Other expense	43,928,173.17	40,284,916.71
Total	755,674,441.38	592,697,813.46

(3) Other Cash Received Relevant to Investment Activities

Item	Reporting Period	Same period of last year
Received financial product	857,900,000.00	4,243,417,300.00
Interest of entrust loan		50,000,000.00
Others	1,449.68	11,000.00
Total	857,901,449.68	4,293,428,300.00

(4) Other Cash Paid Relevant to Investment Activity

Item	Reporting Period	Same period of last year
Purchase of financial products	2,130,900,000.00	4,293,417,300.00
Payment of entrust loan	20,000,000.00	—
Payment of option price	5,125,000.00	
Others	43,913.10	28,389,985.63
Total	2,156,068,913.10	3,658,501,268.22

(5) Other Cash Received Relevant to Financing Activities

Item	Reporting Period	Same period of last year
Self opening and self discounting		1,087,905,232.65
Payment of due RMB certificate of deposit as pledge	444,475,802.89	

Item	Reporting Period	Same period of last year
Others		3,600,000.00
Total	444,475,802.89	1,091,505,232.65

(6) Other Cash Paid Relevant to Financing Activities

Item	Reporting Period	Same period of last year
Margin deposit as pledge	574,504.77	
Others	0.00	31,258,073.60
Total	574,504.77	31,258,073.60

56. 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	34,396,332.58	9,906,950.72
Add: Provision for impairment of assets	2,271,042.76	39,254,565.34
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	57,373,770.25	63,256,033.89
Amortization of intangible assets	5,514,858.35	6,225,055.67
Long-term unamortized expenses	32,110,310.89	27,591,224.40
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-32,532,402.67	-2,529,596.10
Loss on retirement of fixed assets (gains: negative)	—	—
Losses from variation of fair value (gains: negative)	103,077,757.73	—
Financial cost (gains: negative)	205,629,196.69	129,789,423.55
Investment loss (gains: negative)	-67,005,572.06	-10,586,381.62
Decrease in deferred income tax assets (gains: negative)	-35,150,295.62	-36,491,902.56
Increase in deferred income tax liabilities (crease in deferred	2,453,021.63	1,218,228.05
Decrease in inventory (gains: negative)	-2,097,599,214.55	29,575,516.85
Decrease in accounts receivable from operating activities (gains: negative)	274,747,714.15	203,319,939.04
Increase in payables from operating activities (decrease: negative)	-737,739,738.53	-586,071,113.65
Others	-11,561,486.48	—
Net cash flows generated from operating activities	-2,264,014,704.88	-125,542,056.42

Supplemental information	Reporting Period	Same period of last year
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	2,326,786,079.22	2,469,950,766.48
Less: Opening balance of cash	2,020,902,945.13	1,488,154,851.35
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	305,883,134.09	981,795,915.13

(2) Cash and Cash Equivalents

Item	Closing balance	Opening balance
I. Cash	2,326,786,079.22	2,469,950,766.48
Including: Cash on hand	2,243.88	3,160.55
Bank deposit on demand	2,326,783,835.34	2,469,947,605.93
II. Cash and cash equivalents	—	—
Of which: Bond investment due within three months	—	—
III. Closing balance of cash and cash equivalents	2,326,786,079.22	2,469,950,766.48

Notes: The cash and cash equivalents excluded the restricted cash and cash equivalents of the Company and its subsidiaries.

57. The Assets with the Ownership or Use Right Restricted

Item	Closing book value	Restricted reason
Monetary funds	163,293,524.85	Each margin deposit for security cannot be withdrawn at any time.
Notes receivable	1,367,853,053.41	Used for comprehensive financing business such as the opening of bank's acceptance bill, L/C, letter of indemnity and trade financing
Fixed assets	5,807,674.32	Property preservation
Total	1,536,954,252.58	

58. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			723,760,332.08
Including: USD	105,182,149.96	6.7744	712,545,956.69
EUR	103,868.04	7.7496	804,935.76
IDR	4,225,752,514.66	0.000509	2,150,908.03
GBP	1.32	8.8144	11.64
HKD	9,268,333.66	0.86792	8,044,172.15
CAD	6.96	5.2144	36.29
PLN	117,296.00	1.8271	214,311.52
Accounts receivable			391,992,421.81
Including: USD	57,647,203.61	6.7744	390,525,216.14
IDR	1,131,442,304.69	0.000509	575,904.13
HKD	1,026,939.74	0.86792	891,301.54
Other accounts receivable			4,024,272.48
Including: USD	361,691.10	6.7744	2,450,240.19
EUR	1,400.00	7.7496	10,849.44
HKD	305,018.72	0.86792	264,731.85
IDR	8,000,000.00	0.000509	4,072.00
JPY	21,400,000.00	0.060485	1,294,379.00
Accounts payable			101,202,241.41
Including: USD	14,843,770.66	6.7744	100,557,639.98
HKD	742,696.83	0.86792	644,601.43

VII. Changes of Merge Scope**1. The Disposal of Subsidiary**

There was no subsidiary to dispose.

2. Other Reasons for the Changes in Combination Scope

(1) Anhui Konka Electronic Co., Ltd., a subsidiary of our company registered to set up the

wholly-owned subsidiary of Anhui Kangzhi Commerce and Trade Co., Ltd., in Anhui on March 8, 2017 with the registered capital of RMB5.00 million. Until the date of asset balance sheet, Anhui Konka Electronic Co., Ltd. has not invested actually. The company has the control power, and it has been included in the merger scope since March 8, 2017.

(2) Anhui Konka Tongchuang Household Appliances Co., Ltd., a subsidiary of our company absorbed and merged the wholly-owned subsidiary of Anhui Konka Household Appliances Co., Ltd. on May 17, 2017, Anhui Konka Household Appliances Co., Ltd. completed the industrial and commercial registration cancellation on May 17, 2017.

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	Manufacturing industry and trade	100.00	—	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

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
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
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	75.00	25.00	Set up or investment
Dongguan Konka Electronic Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	—	100.00	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

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
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 (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	Factoring (Non-bank finance)	100.00	—	Set up or investment
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

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
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	Trade	—	69.23	Set up or investment
Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Advertisement	—	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	International trading	—	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
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

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Chain Kingdom Co., Limited	Hong Kong, China	Hong Kong, China	International trading	—	51.00	Set up or investment
Shenzhen Kangqiao Easy Chain Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	60.00	—	Set up or investment
E3info (Hainan) Technology Co., Ltd.	Haikou, Hainan	Haikou, Hainan	Development of internet platform	100.00	—	Set up or investment
Chuzhou Konka Technology & Industry Development Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Technology industry	100.00	—	Set up or investment
Anhui Kangzhi Trade Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Trade	—	78.00	Set up or investment

Notes: 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.

② 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 Dec. 31, 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. As of Dec. 31, 2016, “Tongchuang Construction” had not transferred its equity and the Company had not repurchased it. 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	1,924,758.03	—	79,305,956.28
Kangqiao Jiacheng	30.00	-1,379,203.28	—	295,555,154.69
Kaikai Shijie	20.00	589,684.00	—	5,835,182.48
Commercial System Technology	19.00	125,654.91	—	2,399,143.36
Mobile Interconnection	49.00	-1,862,724.74	—	3,402,493.98

(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	956,041,713.09	231,071,142.68	1,187,112,855.77	818,317,044.11	8,314,192.20	826,631,236.31
Kangqiao Jiacheng	1,091,379,684.22	669,800.89	1,092,049,485.11	6,865,636.14	100,000,000.00	106,865,636.14
Kaikai Shijie	450,332,965.18	1,603,761.86	451,936,727.04	422,760,814.65	0.00	422,760,814.65
Commercial System Technology	57,327,701.61	124,443.28	57,452,144.89	44,825,074.59	0.00	44,825,074.59
Mobile	43,693,816.15	23,095.72	43,716,911.87	36,773,046.61	0.00	36,773,046.61

Name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Interconnection						

(Continued)

Name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka	882,686,223.79	237,235,477.46	1,119,921,701.25	758,810,489.87	9,378,492.06	768,188,981.93
Kangqiao Jiacheng	1,095,944,360.32	823,353.13	1,096,767,713.45	6,986,520.22	100,000,000.00	106,986,520.22
Kaikai Shijie	415,460,985.44	1,976,121.55	417,437,106.99	391,209,614.58	—	391,209,614.58
Commercial System Technology	60,748,150.41	210,589.31	60,958,739.72	49,258,011.04	—	49,258,011.04
Mobile Interconnection	51,339,640.20	25,744.89	51,365,385.09	40,620,040.76	—	40,620,040.76

Name	Reporting Period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Anhui Konka	2,399,150,981.00	8,748,900.14	8,748,900.14	-25,296,816.63
Kangqiao Jiacheng	0.00	-4,597,344.26	-4,597,344.26	-20,180,271.82
Kaikai Shijie	470,025,219.90	2,948,419.98	2,948,419.98	82,976,543.24
Commercial System Technology	68,795,665.26	661,341.62	661,341.62	-10,618,619.61

Name	Reporting Period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Mobile Interconnection	112,984,978.64	-3,801,479.07	-3,801,479.07	-6,303,289.22

(Continued)

Name	Same period of last year			
	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
Kangqiao Jiacheng	0.00	-1,974,407.17	-1,974,407.17	-344,371.26
Kaikai Shijie	249,006,644.45	5,918,017.84	5,918,017.84	-27,434,290.16
Commercial System Technology	49,859,194.22	1,159,219.36	1,159,219.36	19,339,200.90
Mobile Interconnection	145,032,685.28	2,756,416.09	2,756,416.09	23,235,560.41

2. Equity in Associated Enterprise

(1) Significant Associated Enterprises

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Shanghai Konka Green Science & Technology Co., Ltd.	Shanghai	Shanghai	Production and sale of light emitting diode	39.00	—	Equity method

(2) Main Financial Information of Significant Associated Enterprise

Item	Closing balance/ Reporting Period	Opening balance /last period
		Shanghai Konka Green Science & Technology Co., Ltd.

Current assets	312,266,543.64	361,468,348.74
Non-current assets	348,472,666.95	356,832,999.34
Total assets	660,739,210.59	718,301,348.08
Current liabilities	202,158,890.03	254,144,707.10
Non-current liability	60,315,740.08	71,618,268.97
Total liabilities	262,474,630.11	325,762,976.07
Minority interests	192,005,442.76	172,560,267.62
Equity attributable to owners of the Company	206,259,137.72	219,978,104.39
		85,791,460.71
Portion of net assets calculated according to proportion of shareholdings	80,441,063.71	85,791,460.71
Adjusting events		
-Goodwill	—	—
-Unrealized internal sales gain and loss	—	—
-Other	—	—
Book value of equity investment to associated venture	80,441,063.71	85,791,460.71
Fair value of equity investment of associate enterprises with public offer	—	—
Operation revenue	260,884,229.06	474,548,859.80
Net profit	9,284,617.15	27,916,818.85
Net profits of termination operation	—	—
Other comprehensive income	—	—
Total comprehensive income	9,284,617.15	27,916,818.85

Dividends received from associated enterprises in Reporting Period	—	—
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IX. The Risk Related Financial Instruments

(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, IDR and HKD, except the procurement and sales by US dollars for several subsidiaries such as the Company, Kongkong Konka, Zhongkang Supply Chain, Konka Trading, Europe Konka and Indonesia Konka which settled by USD, HKD, IDR and EURO for purchase and sale. Until June 30, 2017 (refer to Notes VI 58, 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

The investment classified as available-for-sale financial assets and trading financial assets, and the financial assets/liabilities measured at fair value and its changes be recorded into the current gains/losses held by the Company were accounted at fair value on the balance sheet date., 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 June 30, 2017, 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
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	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				
1. Trading financial assets	168,120,900.00	—	—	168,120,900.00
2. Income generated from the forward purchase agreement	855,984.37	—	—	855,984.37
3. Foreign exchange option	5,052,542.28			5,052,542.28
(II) Available-for-sale financial assets				
1. Debt instruments investment	—	—	—	—
2. Equity instrument investment	40,665,244.82	—	—	40,665,244.82
3. Other	—	—	—	—
Total assets of consistent fair value measurement	214,694,671.47	—	—	214,694,671.47
(I) Transaction financial liabilities				
1. Losses generated from the forward purchase agreement	20,181,325.74	—	—	20,181,325.74
Total liabilities of consistent fair value measurement	20,181,325.74	—	—	20,181,325.74
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

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

By the end of Reporting Period, for the 13,155,000 shares of Refond stock held by the

company, their final fair value was calculated and determined to be RMB168,120,900.00, according to closing price of RMB12.78 for each share on June 30, 2017; for the 6,760,900 shares of Hunan VARY stock held by the company, their final fair value was calculated and determined to be RMB40,633,009.00, according to closing price of RMB6.01 for each share on June 30, 2017; for the 348 shares of Changlan Cable Accessories stock held by the company, their final fair value was calculated and determined to be RMB6,270.96, according to buying price of RMB18.02 for each share on June 7, 2017, and unlisted transaction had no fair value on June 30; for the 350 shares of Konfoong Materials stock held by the company, their final fair value was calculated and determined to be RMB6,681.5, according to closing price of RMB19.09 for each share on June 30, 2017; for the 313 shares of MeiG Smart stock held by the company, their final fair value was calculated and determined to be RMB7,155.18, according to closing price of RMB 22.86 for each share on June 30, 2017; for the 844 shares of Jinlongyu stock held by the company, their final fair value was calculated and determined to be RMB5,232.80, according to closing price of RMB6.2 for each share on June 19, 2017, and unlisted transaction had no fair value on June 30; for the 141 shares of Huning Elevator Parts stock held by the company, their final fair value was calculated and determined to be RMB2,456.22, according to closing price of RMB17.42 for each share on June 30, 2017; for the 211 shares of Daye Intelligent stock held by the company, their final fair value was calculated and determined to be RMB2,306.23, according to closing price of RMB10.93 for each share on June 28, 2017, and unlisted transaction had no fair value on June 30; for the 263 shares of Fuman Electronics stock held by the company, their final fair value was calculated and determined to be RMB2,132.93, according to closing price of RMB 8.11 for each share on June 29, 2017, and unlisted transaction had no fair value on June 30.

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	RMB11.30 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

For more details, please refer to Note VIII. 1. Equity in Subsidiary.

3. Information on the Associated Enterprises of the Company

For more details, please refer to Note VIII. 2. Equity in Associated Enterprises. The information on other joint ventures or associated enterprises with balance in related transactions made with the Company in this year or before the reporting period was as follows:

Name of joint ventures or associated enterprises	Relationship
Shenzhen Konka Information Network Co., Ltd.	Associated enterprise
Shenzhen Dekang Electronic Co., Ltd.	Associated enterprise
Zhuhai Jinsu Plastics Co., Ltd.	Associated enterprise
Shanghai Konka Green Technology Co., Ltd.	Associated enterprise
Shenzhen Konka Intelligent Appliance Technology Co., Ltd.	Associated enterprise
Anhui Konka Green Lighting Technology Co., Ltd.	Associated enterprise
Shenzhen Zhongbing Konka Technology Co., Ltd.	Associated enterprise
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Associated enterprise
Kunshan Branch of Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Subsidiary of associated enterprise
Chuzhou Branch of Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Subsidiary of associated enterprise
Dongguan Konka Mould & plastics Co., Ltd.	Associated enterprise
Dongguan Xutongda Mould & Plastics Co., Ltd.	Associated enterprise
Kunshan Jielunte Mould & Plastics Co., Ltd.	Associated enterprise
Chuzhou Jielunte Mould & Plastics Co., Ltd.	Associated enterprise
Dongguan Jielunte Mould & Plastics Co., Ltd.	Associated enterprise
Anhui Jiasen Precision Technology Co., Ltd.	Associated enterprise

4. Information on Other Related Parties of the Company

Name	Relationship
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Shenzhen OCT East Co., Ltd.	Under the same actual controller
Shanghai Tianxiang OCT Investment Co., Ltd.	Under the same actual controller
Anhui Huali Packaging Co., Ltd.	Under the same actual controller
Shenzhen OCT Water and Power Co., Ltd	Under the same actual controller
Shanghai Huali Packaging Co., Ltd	Under the same actual controller
Shenzhen Huali Packing & Trading Co., Ltd	Under the same actual controller
Huali Packaging (Huizhou) Co., Ltd.	Under the same actual controller
Suzhou Huali Environmental Packing Technology Co., Ltd.	Under the same actual controller
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Under the same actual controller
Taizhou OCT Co., Ltd.	Under the same actual controller
Shenzhen OCT Real Estate Co., Ltd.	Under the same actual controller
Shenzhen OCT Hotel Co., Ltd.	Under the same actual controller
Shenzhen OCT Property Management Co., Ltd.	Under the same actual controller
Assets Management Branch of Shenzhen OCT	Under the same actual controller
Shenzhen OCT Huck Culture Co., Ltd.	Under the same actual controller
Shenzhen OCT Fire Engineering Co., Ltd.	Under the same actual controller
Shenzhen OCT Gas Service Station Co., Ltd.	Under the same actual controller
Chongqing OCT Industrial Development Co., Ltd.	Under the same actual controller
Guangdong Shunde OCT Industrial Development Co., Ltd.	Under the same actual controller
Shenzhen OCT Properties Company	Under the same actual controller
Shenzhen OCT Gas Service Station Company	Under the same actual controller
Shenzhen OCT East Theme Hotels	Under the same actual controller
Shenzhen OCT East Property Management Co., Ltd.	Under the same actual controller
Chengdu OCT Industrial Development Co., Ltd.	Under the same actual controller
Shenzhen OCT Culture-oriented Travel & Technology Co., Ltd.	Under the same actual controller
Shenzhen OCT Sea View Hotel Co., Ltd.	Under the same actual controller
Kunshan Branch of Shenzhen OCT Property Management Co., Ltd.	Under the same actual controller
Shenzhen OCT Economic Development Corporation	Under the same actual controller
Shenzhen OCT East Property Management Company	Under the same actual controller

Jiangxi Youshi Xinrong Culture & Communication Co., Ltd.	The company controlled by the final controller of Subsidiary's minority shareholders
Charm Media Co., Ltd.	The final controller of minority shareholders of subsidiary
Guoguang Oriental Network (Beijing) Co., Ltd.	Shareholder of associated enterprise
Shenzhen Refund Optoelectronics Co., Ltd.	Ex-associated enterprise

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 materials	77,564,260.96	54,995,087.43
Chuzhou Jielunte Mould & Plastics Co., Ltd.	Purchase of materials	53,840,442.74	68,600,936.93
Guoguang Oriental Network (Beijing) Co., Ltd.	Purchase of products	81,484,429.91	—
Dongguan Konka Mould & Plastics Co., Ltd.	Purchase of materials	5,254,342.08	23,984,888.98
Anhui Huali Packing Co., Ltd.	Packing	24,527,123.44	13,316,909.09
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Purchase of materials	0.00	14,541,172.21
Shenzhen Konka Information Network Co., Ltd.	Purchase of materials/others	2,585,675.21	—
Huali Packing (Huizhou) Co., Ltd.	Purchase of materials	4,195,331.54	4,650,789.23
Anhui Jiasen Precision Technology Co., Ltd.	Purchase of materials	11,286,323.82	—
Suzhou Huali Environmental Packing Technology Co., Ltd.	Purchase of materials	7,278,815.34	—
Shanghai Huali Packing Co., Ltd.	Purchase of materials	41,734.51	6,150,994.50
Shenzhen Konka Intelligent Appliance Technology Co., Ltd.	Purchase of products	799,033.15	—
Shenzhen OCT Water and Power Co., Ltd.	Utilities	2,244,889.77	1,175,261.15
Kunshan Jielunte Mould & Plastics Co., Ltd.	Purchase of materials	34,843.00	—
Chain Kingdom Co., Limited	Service charge	0.00	1,447,315.77
Kunshan Branch of Shenzhen OCT Property Management Co., Ltd.	Service charge for property management	1,262,436.01	—
Charm Media Co., Ltd.	Advertising expense	6,415,094.34	—
Dongguan Jielunte Mould & Plastics Technology Co., Ltd.	Purchase of materials	2,014,700.50	—
Shenzhen OCT East Property Management Company	Service charge	28,043.88	—
Shenzhen OCT Real Estate Co., Ltd.	Service charge of	10,000,000.00	—

Related party	Content	Reporting Period	Same period of last year
	engineering		

② Information of sales of goods and provision of labor service

Related party	Content	Reporting Period	Same period of last year
Guoguang Oriental Network (Beijing) Co., Ltd.	Sales of products	80,608,719.74	—
Shenzhen Refund Optoelectronics Co., Ltd.	Sales of products	11,997,198.94	14,403,685.82
Dongguan Konka Mould & Plastics Co., Ltd.	Lease service charge and sales of materials	3,906,945.24	5,867,443.85
Charm Media Co., Ltd.	Advertising expense	0.00	11,320,754.76
Shenzhen Zhongbing Konka Technology Co., Ltd.	Service charge and sales of products	1,233,572.79	—
Shenzhen Konka Information Network Co., Ltd.	Sales of products	2,648,776.15	—
Dongguan Xutongda Mould & Plastics Co., Ltd.	Lease service charge	3,359,016.16	4,306,505.64
Shenzhen Konka Intelligent Appliance Technology Co., Ltd.	Service charge and sales of products	147,369.23	—
Anhui Konka Green Lighting Technology Co., Ltd.	Technical service fees and sales of materials	216,246.39	2,798,336.32
Chongqing OCT Industrial Development Co., Ltd.	Sales of display screens	5,681,875.20	—
Shenzhen OCT East Co., Ltd.	Maintenance service	1,417,777.78	35,400.00
Shenzhen OCT Real Estate Co., Ltd.	Sales of display screens	2,564.10	—
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Maintenance service	1,051,681.35	—
Happy Valley Branch of Tianjin OCT Industrial Co., Ltd.	Maintenance service	1,203,179.49	—
Shanghai Tianxiang OCT Investment Co., Ltd.	Maintenance service	108,262.11	63,333.33
Shenzhen OCT Hotel Co., Ltd.	Maintenance service	51,282.05	—
Shenzhen OCT Culture-oriented Travel Technology Co., Ltd.	Maintenance service	87,170.94	—
Shenzhen Splendid China Development Co., Ltd.	Sales of display screens	21,367.52	—
Shenzhen Crowne Plaza Hotel	Sales of display screens	2,564.10	—
Shenzhen OCT Sea View Hotel Co., Ltd.	Maintenance service	35,724.79	—
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Maintenance service	4,302,721.71	179,645.20
Taizhou OCT Co., Ltd.	Sales of display screens	7,948.72	—

(2) Borrowing and Lending of Related Parties

Related party	Amount	Start date	Maturity date	notes
Borrowing:				
OCT	1,600,000,000.00	01/11/2017	09/28/2017	The interest rate was 3.9%
OCT	900,000,000.00	03/19/2017	11/26/2017	The interest rate was 4.35%
OCT	900,000,000.00	10/17/2016	07/14/2017	The interest rate was 3.06%
OCT	30,000,000.00	12/14/2016	12/13/2019	The interest rate was 4.75%

Notes: The current interest expenses confirmed with OCT were RMB63,825,197.54.

(4) Related-party Guarantee

The Company severed as the guarantee

Secured party	Currency	Guarantee amount (RMB'0,000)	Actual using amount (RMB'0,000)	Start date	End date	Execution accomplished or not
Anhui Tongchuang	RMB	6,000.00	4,440.00	07/01/2016	07/01/2017	No
Anhui Konka (Note ①)	RMB	10,000.00	7,200.00	10/26/2016	07/13/2017	No
Konka E-display (Note ②)	RMB	2,000.00	646.92	07/01/2016	07/01/2017	No
Telecommunicati on Technology	RMB	50,000.00	13,119.49	09/21/2016	09/21/2017	No
Hong Kong Konka	USD	500	500	10/20/2016	10/20/2017	No
Hong Kong Konka	USD	3,500.00	3,500.00	11/07/2016	11/07/2017	No
Hong Kong Konka	USD	1,000.00	1,000.00	04/24/2017	04/23/2018	No
Hong Kong Konka	USD	2,000.00	2,000.00	05/22/2017	05/18/2018	No
Hong Kong Konka	USD	1,000.00	1,000.00	06/12/2017	06/11/2018	No

Notes: ①The minority shareholders of Anhui Konka, Chuzhou State-owned Assets

Operation Co., Ltd. provided 22% counter-guarantee to the limit amount of guarantee of the Company.

②Shenzhen Konka Yi Capital Investment Partnership (Limited partnership) provided 40% counter-guarantee to the limit amount of guarantee of the Company.

The Company served as the secured party

Guarantee	Currency	Guarantee amount (RMB'0,000)	Start date	End date	Execution accomplished or not
Wu Guoren, Xiao Yongsong	USD	4,000.00	10/17/2016	10/16/2017	No

Note: the subsidiary, Zhongkang Supply Chain Management Co., Ltd. obtained the borrowing of USD 40 million from Hong Kong Konka Co., Ltd. The corresponding natural persons of Zhongkang Supply Chain, minority shareholders, Wu Guoren (25%) and Xiao Yongsong (24%) provided equity pledge guarantee for this loan. The third-party natural person provided the house property mortgage guarantee as the third party guarantor.

(5) Rewards for the Key Management Personnel

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	RMB4,109,400	RMB4,086,800

6. Receivables and Payables of Related parties

(1) Receivables

Name of item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable				
Guoguang Oriental Network (Beijing) Co., Ltd.	66,382,152.00	1,327,643.04	61,566,084.52	1,231,321.69
Shenzhen Konka Information Network Co., Ltd.	20,755,610.90	415,112.22	22,708,250.40	456,890.30
Dongguan Xutongda Mould & Plastics Co., Ltd.	12,205,388.44	244,107.77	16,770,384.94	665,277.05
Shenzhen Refund Optoelectronics Co., Ltd.	2,560,469.44	51,209.39	16,006,373.88	320,127.48
Shanghai Konka Green Lighting Technology Co., Ltd.	6,263,614.12	1,252,722.82	7,463,614.12	1,627,495.78

Name of item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen Zhongbing Konka Technology Co., Ltd.	189,668.62	3,793.37	6,236,403.32	124,728.07
Dongguan Konka Mould & Plastics Co., Ltd.	2,165,092.05	43,301.84	4,376,574.40	179,174.65
Chongqing OCT Industrial Development Co., Ltd.	3,522,682.24	70,453.64	546,416.80	10,928.34
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	1,132,419.90	22,648.40	287,956.74	5,759.13
Beijing Century OCT Industry Co., Ltd.	270,000.00	5,400.00	270,000.00	5,400.00
Shanghai Tianxiang OCT Investment Co., Ltd.	95,000.00	1,900.00	89,733.33	2,586.67
Guangdong Shunde OCT Industrial Development Co., Ltd.	0.00		74,880.00	1,497.60
Shenzhen OCT Huck Culture Co., Ltd.	3,297.39	65.95	55,281.17	2,665.14
Shenzhen Konka Intelligent Appliance Technology Co., Ltd.	0.00		35,980.00	719.60
Shenzhen OCT East Co., Ltd.	530,947.11	10,618.94	6,000.00	120.00
Total	116,076,342.21	3,448,977.39	136,493,933.62	4,634,691.50
Notes receivable:				
Dongguan Konka Mould & Plastics Co., Ltd.	0.00		2,473,998.29	—
Dongguan Xutongda Mould & Plastics Co., Ltd.	0.00		800,000.00	—
Total	0.00	0.00	3,273,998.29	—
Payment in advance:				
Dongguan Konka Mould & Plastics Co., Ltd.	25,353,644.56	507,072.89	16,230,337.81	324,606.76
Total	25,353,644.56	507,072.89	16,230,337.81	324,606.76
Other accounts receivable:				
Jiangxi Youshi Xinrong Culture & Communication Co., Ltd. (Note)	0.00	0.00	22,260,000.00	445,200.00
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	8,387,197.52	18,115,952.51	8,387,197.52
Shenzhen OCT Properties Company	1,053,706.86	1,033,907.60	1,053,706.86	1,033,907.60

Name of item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen OCT Water & Power Co., Ltd.	753,553.73	15,071.07	801,006.26	16,020.13
Assets Management Branch of Shenzhen OCT	0.00	0.00	145,638.00	7,281.90
Chongqing OCT Industrial Development Co., Ltd.	220,000.00	4,400.00	130,540.69	2,610.81
Shenzhen OCT Gas Service Station Company	80,000.00	80,000.00	80,000.00	80,000.00
Shenzhen OCT Property Management Co., Ltd.	778,305.14	88,947.15	77,402.65	74,929.10
Beijing Century OCT Industry Co., Ltd.	0.00	0.00	50,000.00	1,000.00
Shenzhen OCT East Theme Hotels	0.00	0.00	49,640.00	992.80
OCT	0.00	0.00	49,626.92	992.54
Shenzhen Konka Information Network Co., Ltd.	0.00	0.00	17,940.73	358.81
Shenzhen OCT East Co., Ltd.	5,000.00	100.00	5,000.00	100.00
Dongguan Konka Mould & Plastics Co., Ltd.	4,448.00	889.60	4,448.00	889.60
Shenzhen OCT East Property Management Co., Ltd.	3,000.00	60.00	3,000.00	60.00
Shanghai Tianxiang OCT Investment Co., Ltd.	0.00	0.00	922.33	18.45
Total	21,013,966.24	9,610,572.94	42,844,824.95	10,051,559.26

(2) Payables

Name of item	Closing balance	Opening balance
Accounts payable:		
Shenzhen Refond Optoelectronics Co., Ltd.	30,043,130.69	27,963,779.92
Chuzhou Jielunte Mould & Plastics Co., Ltd.	29,499,985.38	25,461,077.95
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.		17,134,148.23
Anhui Huali Packing Co., Ltd.	18,174,005.86	15,811,189.21
Guoguang Oriental Network (Beijing) Co., Ltd.	67,312,882.13	13,907,425.83
Shenzhen Shangyongtong Investment Development Co., Ltd.	9,543,100.00	9,543,100.00
Shenzhen Konka Information Network Co., Ltd.	310,000.00	9,131,218.97
Suzhou Huali Environmental Packing Technology Co.,	4,672,418.54	4,784,497.70

Name of item	Closing balance	Opening balance
Ltd.		
Anhui Jiasen Precision Technology Co., Ltd.	8,368,055.84	4,647,480.06
Huali Packing (Huizhou) Co., Ltd.	2,614,248.15	3,538,318.14
Shenzhen Huali Packing & trading Co., Ltd.	1,078,005.09	1,294,334.74
Dongguan Konka Mould & Plastics Co., Ltd.	1,540.19	1,017,067.85
Shenzhen Konka Intelligent Appliance Technology Co., Ltd.	721,103.02	682,275.95
Shenzhen Precision Mould Manufacturing Co., Ltd.	1,132,419.90	449,367.83
Shenzhen Dekang Electronics Co., Ltd.	358,929.03	358,929.03
Shanghai Huali Packing Co., Ltd.	1,259.03	321,039.97
Dongguan Jielunte Mould & Plastics Co., Ltd.	899,659.44	155,760.53
Kunshan Jielunte Mould & Plastics Co., Ltd.	10,915.86	61,472.60
Shenzhen OCT Culture-oriented Travel Technology Co., Ltd.	6,900.00	59,320.00
Total	174,748,558.15	136,321,804.51
Notes payable:		
Chuzhou Jielunte Mould & Plastics Co., Ltd.		65,345,962.63
Shenzhen Refund Optoelectronics Co., Ltd.	12,623,941.41	45,043,301.91
Anhui Huali Packing Co., Ltd.	8,458,014.55	12,369,348.43
Anhui Jiasen Precision Technology Co., Ltd.		5,626,406.69
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.		3,452,680.80
Suzhou Huali Environmental Packing Technology Co., Ltd.	2,448,292.14	3,152,101.04
Huali Packing (Huizhou) Co., Ltd.	1,815,156.91	3,104,985.16
Dongguan Konka Mould & Plastics Co., Ltd.	1,462,156.55	2,855,530.14
Shanghai Huali Packing Co., Ltd.		2,801,506.81
Kunshan Jielunte Mould & Plastics Co., Ltd.		2,594,086.07
Kunshan Branch of Shenzhen Konka Precision Mould Manufacturing Co., Ltd.		2,503,959.47
Zhuhai Jinsu Plastics Co., Ltd.		1,000,000.00
Charm Media Co., Ltd.		275,291.47
Dongguan Jielunte Mould & Plastics Co., Ltd.	702,203.57	
Total	27,509,765.13	150,125,160.62
Accounts received in advance:		

Name of item	Closing balance	Opening balance
Dongguan Konka Mould & Plastics Co., Ltd.	22,537,909.18	23,468,903.76
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	15,357,854.41	15,926,323.73
Zhonglian Datong Co., Ltd.	955,155.90	232,667.70
Shenzhen OCT East Theme Hotels	0.00	187,888.00
Shenzhen OCT Sea View Hotel Co., Ltd.	0.00	35,299.00
Anhui Konka Green Lighting Technology Co., Ltd.	0.00	4,063.72
Total	38,850,919.49	39,855,145.91
Other accounts payable:		
Shenzhen Konka Information Network Co., Ltd.	750,000.00	9,021,630.77
Anhui Huali Packing Co., Ltd.	1,187,000.00	1,267,000.00
Kunshan Branch of Shenzhen OCT Property Management Co., Ltd.	0.00	1,217,879.59
Shenzhen OCT Property Management Co., Ltd.	0.00	1,073,975.09
Shenzhen Zhonglian Datong Supply Chain Management Consulting Co., Ltd.	0.00	992,890.82
Shenzhen Refund Optoelectronics Co., Ltd.	301,135.00	807,135.00
Shenzhen Konka Intelligent Appliance Technology Co., Ltd.	0.00	686,375.00
Shanghai Huali Packing Co., Ltd.	222,000.00	222,000.00
Shenzhen OCT Water & Power Co., Ltd.	0.00	145,500.00
Shenzhen OCT Economic Development Corporation	105,000.00	105,000.00
Anhui Konka Green Lighting Technology Co., Ltd.	0.00	48,670.70
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	0.00	19,440.00
Shenzhen Tianyilian Technology Co., Ltd.	10,139.00	10,000.00
Total	2,575,274.00	15,617,496.97
Interest payable:		
OCT	5,270,833.33	43,541.67
Total	5,270,833.33	43,541.67

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	457,003,294.00	91,710,250.89
- Foreign investment commitments	—	—
Total	457,003,294.00	91,710,250.89

(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	15,669,396.70	20,712,196.63
2 year after balance date	11,680,611.91	10,195,499.08
3 year after balance date	8,148,431.95	5,192,714.87
Future years	1,391,040.43	1,434,105.28
Total	36,889,480.99	37,534,515.86

2. Contingencies

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

① In May, 2013, the company's subsidiary, Kunshan Konka entrusted Ningbo United to ship goods from Shanghai to Genoa, Italy, and Econolines Limited was the carrier. After the goods arrived at the destination port in Italy, due to releasing goods without B/L, and because that the customer of Kunshan Konka, MOTOM ELECTRONICS GROUP SPA (hereinafter referred to as the "MEG") didn't pay the full payment to Kunshan Konka after receiving the goods, the amount in arrear reached USD 1,100,000.00. Kunshan Konka filed a suit to Shanghai Maritime Court on August 15, 2013, requesting Econolines Limited and Ningbo United to jointly compensate USD 1,099,423.52 and its interest to Kunshan Konka and bear the case's acceptance fee and property preservation application fee.

On May 26, 2014, Shanghai Maritime Court made the first-instance judgment, which ordered

Econolines Limited to compensate USD 1,099,423.52 and its interest to Kunshan Konka. Ningbo United undertook the joint compensation liability. The case's acceptance fee and property preservation application fee were jointly bore by Econolines Limited and Ningbo United. In June, 2014, Ningbo United and Econolines Limited refused to accept and appealed to Shanghai Higher People's Court, requiring to rescind the first-instance judgment. In the second trial, because Kunshan Konka had received EUR 100 thousand from the overseas consignee, it deducted the corresponding amount from the goods payment claimed by Ningbo United and Econolines Limited. On July 16, 2015, Shanghai Higher People's Court made the judgment that Econolines Limited compensated the goods loss of USD 990, 253.50 (discounted by the middle of the euro against the dollar exchange rate of People's Bank of China on July 16, 2015) to Kunshan Konka and bore the litigation expense, and Ningbo United bore the joint liability. In the execution stage, Kunshan Konka received the execution funds of RMB 592,200 (USD 17,475) of "Ningbo United" enforced by Ningbo Marine Court. By December 31, 2016, the credit receivable of Kunshan Konka should be USD 855,378.57. This case is in the compulsory execution stage at present.

②Konka (Nanchang) Co., Ltd. litigated and applied for property preservation to Tengda Electric Appliance Co., Ltd. due to the contract disputes in 2015. Nanchang Intermediate People's Court ruled to freeze the bank deposit of RMB 9,918,725.43 of Tengda Electric Appliance Co., Ltd. and closed down its 5 house properties. In the follow-up stage, we changed the add-on interest of the original sue amount to RMB 595,123.50 based on the actual conditions, which is accepted by the court. During the period, Tengda Electric Appliance Co., Ltd. filed an objection to the jurisdiction of the case. Nanchang Intermediate People's Court overruled the jurisdiction objection application of Tengda Electric Appliance Co., Ltd. Tengda Electric Appliance Co., Ltd. was unsatisfied with the judgment result and appealed to Jiangxi Superior People's Court. In January, 2016, Jiangxi Superior People's Court overruled its jurisdiction objection appeal and upheld the original ruling.

In March, 2016, in the trial process of the case in Nanchang Intermediate People's Court, Konka (Nanchang) Co., Ltd. received the notice of Xinyu Intermediate People's Court on ruling to accept the bankruptcy and liquidation case of Tengda Electric Appliance Co., Ltd. and designate an administrant to conduct the bankruptcy and liquidation for Tengda Electric Appliance Co., Ltd. On March 16, Konka (Nanchang) Co., Ltd. received the notice of Nanchang Intermediate People's Court on suspending the case trial. In May, 2017, Konka (Nanchang) Co., Ltd. received the civil ruling paper of Nanchang Intermediate People's Court, ruling to relieve the seal of the property of Tengda Electric Appliance Co., Ltd. and

the freeze of Gome acquisition payment and relieve the seal of the property provided by our company for guarantee. At present, the creditor's right declaring data of Konka (Nanchang) Co., Ltd. have been submitted to the bankruptcy administrator, and the declared claim amount is RMB 12,051,251.40. The Tengda Electric Appliance Co., Ltd. is in bankruptcy liquidation.

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

①The company signed the guarantee contract (No. 16czA0030-a-XCYZBZD2016) with China CITIC Bank Chuzhou Branch on July 1, 2016, providing credit guarantee of RMB 60,000,000.00 to Anhui Tongchuang International Trade Co., Ltd. from July 1, 2016 to July 1, 2017. The credit line was mainly used to open and accept the L/C of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee credit had been used RMB 44,400,000.00 by June 30, 2017. The minority shareholder of Anhui Tongchuang International Trade Co., Ltd. -- Chuzhou Tongchuang Investment Construction Co., Ltd. provided 50% of counter guarantee for our company's guarantee amount.

② On October 26, 2016, the Company signed the guarantee contract with Bank of China Chuzhou Branch and provided RMB 100,000,000.00 of credit line to Anhui Konka, a sub-branch of the Company. The credit period was Oct. 26, 2016 ~ July 13, 2017. The credit line can be used for Anhui Konka to issue the letter of credit, make acceptance bill and obtain financing credit from the bank etc. By June 30, 2017, the credit line had been used RMB 72,000,000.00. A few shareholders in Anhui Konka, state-owned assets operation limited companies in Chuzhou, provide 22% of counter guarantee for the Company's credit line.

③The Company applied for RMB 6,000,000,000.00 of comprehensive credit line in Bank of China Fukuda Branch on September 21, 2016. The Company made RMB 1,300,000,000.00 of bank acceptance for pledge guarantee. On September 21, 2016, the Company provided RMB 500,000,000.00 from total RMB 6,000,000,000.00 comprehensive credit line to the sub-branch for communication technology. Communication technology shall be jointly and severally liable for the comprehensive credit. The credit period was Sept. 21, 2016 ~ Sept. 21, 2017. The credit line is mainly used for communication technology to obtain the financing credit from the bank etc. By June 30, 2017, the credit line had been used RMB 131,194,900.00.

④ On October 20, 2016, the Company applied for opening 5,000,000.00 dollars of letter of guarantee in China Minsheng Banking Shenzhen Branch. The letter of guarantee could be

used for Hong Kong Konka Sub-branch to obtain the financing credit. The credit period was Oct. 20, 2016 ~ Oct. 20, 2017. By June 30, 2017, Hong Kong Konka Sub-branch had obtained 5,000,000.00 dollars of loan from Bank of China (Hong Kong) Co., Ltd.

⑤ On July 1, 2016, the Company signed the guarantee contract numbered “07308BY20168072” with Bank of Ningbo Shenzhen Branch and provided RMB 20,000,000.00 of credit line to Konka Yishijie. The credit period was July 1, 2016 ~ July 1, 2017. The credit line could be used for Konka Yishijie to open a letter of credit, accept and obtain the financing credit from the bank etc. By June 30, 2017, the credit line had been used RMB 6,469,200.00. A few shareholders of Konka Yishijie, Shenzhen Konka Yi Capital Investment Partnerships Enterprises (limited partnership), provided 40% of counter guarantee for the Company’s credit line.

⑥ On November 7, 2016, the Company applied for opening 35,000,000.00 dollars of letter of guarantee in China Minsheng Banking Shenzhen Branch. The letter of guarantee could be used for Hong Kong Konka Sub-branch to obtain the financing credit. The credit period was November 7, 2016 ~ November 7, 2017. By June 30, 2017, Hong Kong Konka had obtained 35,000,000.00 dollars from Bank of China (Hong Kong) Co., Ltd.

⑦ On April 24, 2017, the Company applied for opening 10,000,000.00 dollars of letter of guarantee in Agricultural Bank of China Shenzhen OTC Sub-branch. The letter of guarantee could be used for Hong Kong Konka to obtain the financing loan from the bank. The credit period was April 24, 2017 ~ April 23, 2018. By June 30, 2017, Hong Kong Konka had obtained 10,000,000.00 dollars from Bank of China (Hong Kong) Co., Ltd.

⑧ On May 22, 2017, the Company applied for opening 20,000,000.00 dollars of letter of guarantee in Agricultural Bank of China Shenzhen OTC Sub-branch. The letter of guarantee could be used Hong Kong Konka to obtain the financing credit from the bank. The credit period was May 22, 2017 ~ May 18, 2018. By June 30, 2017, Hong Kong Konka had obtained 20,000,000.00 dollars from Bank of China Hong Kong) Co., Ltd.

⑨ On June 12, 2017, the Company applied for opening 10,000,000.00 dollars of letter of guarantee in Agricultural Bank of China Shenzhen OTC Sub-branch. The letter of guarantee could be used Hong Kong Konka to obtain the financing credit from the bank. The credit period was June 12, 2017 ~ June 11, 2018. By June 30, 2017, Hong Kong Konka had obtained 10,000,000.00 dollars from Bank of China Hong Kong) Co., Ltd.

⑩ Kunshan Kangsheng, a sub-branch of the Company, signed the bank and enterprise cooperation agreement on new house loan business with Agricultural Bank of China Corp. Ltd in 2016. The Company provided the liability guarantee for the personal housing loan

issued by the bank for the house purchaser. The credit period was from the house loan issuing day to the house ownership certificate day. It shall continue to the completion of mortgage registration formalities, and the house purchaser shall be the mortgagee at the same time. The Company shall pay 3% of house loan issued by the bank for the house purchaser as the cash deposit. By June 30, 2017, Kunshan Konka provided RMB 233,632,522.00 of credit line for the house purchaser's loan. The deposit fund balance was RMB 9,142,975.66.

⑪Kunshan Kangsheng, a sub-branch of the Company, signed the bank and enterprise cooperation agreement on new house loan business with China Construction Bank Kunshan Branch in 2016. The Company provided the liability guarantee for the personal housing loan issued by the bank for the house purchaser. The credit period was from the house loan issuing day to the house ownership certificate day. It shall continue to the completion of mortgage registration formalities, and the house purchaser shall be the mortgagee at the same time. The Company shall pay 3% of house loan issued by the bank for the house purchaser as the cash deposit. By June 30, 2017, Kunshan Konka provided RMB 147,688,505.00 of credit line for the house purchaser's loan. The deposit fund balance was RMB 4,430,655.15.

⑫Kunshan Kangsheng, a sub-branch of the Company, signed the bank and enterprise cooperation agreement on new house loan business with Kunshan Rural Commercial Bank Zhouzhuang Branch in 2016. The Company provided the liability guarantee for the personal housing loan issued by the bank for the house purchaser. The credit period was from the house loan issuing day to the house ownership certificate day. It shall continue to the completion of mortgage registration formalities, and the house purchaser shall be the mortgagee at the same time. The Company shall pay 3% of house loan issued by the bank for the house purchaser as the cash deposit. By June 30, 2017, Kunshan Konka provided RMB 93,879,000.00 of credit line for the house purchaser's loan. The deposit fund balance was RMB 2,816,370.00.

XIII. Events after Balance Sheet Date

None

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)	301,282.02
Over 1 year and within 2 years (including 2 year)	144,871.84
Total	446,153.86

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

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

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

4. On February 16, 2017, the Company held the 25th meeting of the 8th Chairman of the Board and passed *Bill on Providing Entrusted Loan to Wanrong Science Technology*. The Company planned to provide Hunan Wanrong Science Technology Co., Ltd (“Wanrong Science Technology”) with the entrusted loan not more than RMB 50,000,000.00. Entrusted loan interest rate was the 150% of current financing institutions' one-year loan interest rate issued by People's Bank of China. The entrusted loan was mainly used for daily operation of Wanrong Science Technology.

5. On March 10, 2017, the Company held the 26th meeting of the 8th Chairman of the Board and passed *Bill on Building New Factories in Dongguan*. The Company planned to push the “three-old” renovation project of Dongguan Konka factory area. The Company also planned to raise RMB 800 million to build new factories (including color TV R&D building, main production plant, logistics distribution warehouse, supporting staff dorms etc.) in Wulian Village, Fenggang Town, Dongguan. At the same time, the Company carried out the development, production and marketing of color TV and other electrical products.

6. On June 29, 2017, the Company held the 31st meeting of the 8th Chairman of the Board and passed Resolution on listing transfer part of Kunshan Konka's holdings. The Company decided to transfer 51% of holdings of Kunshan Konka Electronic Household Co., Ltd in assets and equity exchange. The listing price shall not be lower than the assessed value of asset appraisal firm.

7. On May 28, 2015, the company signed the *Comprehensive Credit Contract* (No. 0005-SYQHZZD2015) with China CITIC Bank Shenzhen Citizen Center Sub-branch, applying for credit line of RMB 400,000,000.00, which was used for loans, acceptance of bills, discounting of bills, opening L/C, packing loans, import bill advance, outward bill credit, opening letter of guarantee and other businesses. The credit period was May, 2017 ~ May, 2018. The credit line had been used RMB 250,000,000.00 by June 30, 2017.

8. On June 14, 2016, the company signed the *Credit Line Contract* (No. J2016Z15608HQC) with China Construction Bank Shenzhen Branch, applying for credit line not more than RMB 3,570,000,000.00 at maximum. The credit period was June 14, 2016 ~ June 13, 2019. By June 30, 2017, the credit line had been used RMB 661,127,500.00, and RMB 4,908,872,500.00 had not been used. Hereinto, the company and had agreed with China Construction Bank Shenzhen Branch that it could apply for low risk credit not more than RMB 2,000,000,000.00 at maximum. The credit line had not been used yet by June 30, 2017.
9. On August 11, 2016, the company signed the *Comprehensive Credit Contract* (No. 018-SJTZEZD2016) with China Minsheng Banking Corp. Ltd, applying for credit line not more than RMB 500,000,000.00 at maximum, which was used for RMB business, trade financing, import bill advance and outward bill credit, import refinance, delivery against bank guarantee, packing loans, bill discounting and other businesses. The credit period was August 11, 2016 ~ August 11, 2017. By June 30, 2017, the credit line had been used RMB 275,860,000.00, and RMB 224,140,000.00 had not been used.
10. On September 12, 2016, the company signed the *Comprehensive Credit Agreement* (No. CN11002068781-160823) with HSBC Bank (China) Shenzhen Branch, applying for uncommitted portfolio revolving credit not more than USD 15,000,000.00 at maximum. The credit period was September 12, 2016 ~ September 12, 2017. By June 30, 2017, the credit line had not been used yet.
11. On September 21, 2016, the company signed the *Credit Line Agreement* (No. 0000719-ZZYFEXZD2016) with Bank of China Shenzhen Futian Sub-branch, agreeing that the company and Konka Communication which was its subsidiary provided bank acceptance not less than RMB 1,300,000,000.00 as pledge guarantee to get the comprehensive credit line not more than RMB 6,000,000,000.00. Hereinto, the company was the credited party, and the Communication Technology Company was the authorized party that could draw the money. The credit period was September 21, 2016 ~ September 21, 2017. By June 30, 2017, the credit line had been used RMB 3,939,983,280.33, and RMB 2,060,016,719.67 had not been used.
12. On September 30, 2016, the company agreed with Industrial and Commercial Bank of China Shenzhen OTC Sub-branch to apply for credit line not more than RMB 2,200,000,000.00 at maximum. The credit period was September 30, 2016 ~ September 30, 2017. By June 30, 2017, the credit line had been used RMB 1,598,700,300.00, and RMB 601,299,700.00 had not been used.
13. On October 12, 2016, the company signed the *Credit Line Agreement* (No.

A596201609260001-PY(SZ)ZZD) with Ping An Banking Corp. Ltd Head Office Sales Department, applying for credit line not more than RMB 400,000,000.00 at maximum, which was used for liquidity loans, opening bank acceptances, opening import L/C, opening domestic L/C, import bill advance and outward bill credit, import and export refinance, opening financing guarantee and other businesses. The credit period was October 12, 2016 ~ October 12, 2017. By June 30, 2017, the comprehensive credit line had been used RMB 400,000,000.00.

14. On February 28, 2017, the company applied for credit line of RMB 1,200,000,000.00 from Agricultural Bank of China Shenzhen OCTOBER Sub-branch, for loans, acceptance of bills, discounting of bills, opening L/C, packing loans, import bill advance, outward bill credit, opening letter of guarantee and other businesses. The credit period was February 28, 2017 ~ February 28, 2018. By June 30, 2017, the comprehensive credit line had been used RMB 604,610,000.00, and RMB 595,390,000.00 had not been used.

15. On April 11, 2017, the company applied for credit line of RMB 500,000,000.00 from Bank of Communications Shenzhen OCTOBER Sub-branch, for loans, acceptance of bills, discounting of bills, opening L/C, packing loans, import bill advance, outward bill credit, opening letter of guarantee and other businesses. The credit period was April 11, 2017 ~ April 11, 2019. By June 30, 2017, the credit line had not been used yet.

16. On April 11, 2017, the company applied for credit line of RMB 500,000,000.00 from Bank of Ningbo Shenzhen Branch, for loans, acceptance of bills, discounting of bills, opening L/C, packing loans, import bill advance, outward bill credit, opening letter of guarantee and other businesses. The credit period was April 11, 2017 ~ April 11, 2018. By June 30, 2017, the credit line had been used RMB 9,070,000.00, and RMB 490,930,000.00 had not been used.

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 value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount for	—	—	—	—	—

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	1,137,172,860.75	40.41	201,098,271.61	17.68	936,074,589.14
Group 2: related party group within the consolidation scope	1,613,987,991.63	57.35	—	—	1,613,987,991.63
Subtotal of groups	2,751,160,852.38	97.76	201,098,271.61	7.31	2,550,062,580.77
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	63,021,334.66	2.24	33,619,034.22	53.35	29,402,300.44
Total	2,814,182,187.04	100.00	234,717,305.83	8.34	2,579,464,881.21

(Continued)

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant 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	1,457,500,829.10	43.04	204,973,829.53	14.06	1,252,526,999.57
Group 2: related party group within the consolidation scope	1,859,065,149.92	54.89	—	—	1,859,065,149.92
Subtotal of groups	3,316,565,979.02	97.93	204,973,829.53	6.18	3,111,592,149.49
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	70,065,431.01	2.07	36,128,381.15	51.56	33,937,049.86
Total	3,386,631,410.03	100.00	241,102,210.68	7.12	3,145,529,199.35

①In 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	929,687,065.77	18,593,741.32	2.00
1 to 2 years	22,891,350.59	1,144,567.53	5.00
2 to 3 years	291,468.26	58,293.65	20.00
3 to 4 years	5,346,073.44	2,673,036.72	50.00
4 to 5 years	656,540.60	328,270.30	50.00
Over 5 years	178,300,362.09	178,300,362.09	100.00
Total	1,137,172,860.75	201,098,271.61	

②In 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 within the consolidation scope	1,613,987,991.63	—	—
Total	1,613,987,991.63	—	—

③The top 5 of accounts receivable with significant single amount for which bad debt provision separately accrued

Name of customer	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Reason
Henan Broadcasting & Television Network Co., Ltd.	18,320,000.00	5,496,000.00	30	30% impairment showed by evidence
Tengda Electrical Appliance Co., Ltd.	8,223,935.99	4,111,968.00	50	Involving in litigation and disputes
Yunnan Broadcasting & Television Network Group Co., Ltd.	3,674,078.28	1,285,927.40	35	35% impairment showed by evidence
Yunmeng Zhengye Electrical Appliance Co., Ltd.	3,408,394.19	2,045,036.51	60	Involving in litigation and disputes
Administration of Radio, Film and Television of Heilongjiang Province	2,316,229.68	718,031.20	31	31% impairment showed by evidence
Total	35,942,638.14	13,656,963.11	—	—

(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 000; the amount of the reversed or collected part during the Reporting Period was of RMB6,384,904.85.

(3) Top 5 of the Closing Balance of the Other 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 RMB1,986,202,264.91, 70.58% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB10,827,635.27.

2. Other Accounts Receivable

(1) Other Accounts Receivable Disclosed by Category

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	173,061,959.33	6.09	163,333,204.34	0.94	9,728,754.99
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					0
Group 1: aging group	121,519,248.71	4.27	20,120,580.97	0.17	101,398,667.74
Group 2: related party group	2,543,589,780.50	89.47		0	2,543,589,780.50
Subtotal of groups	2,665,109,029.21	93.74	20,120,580.97	0.01	2,644,988,448.24
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	4,727,923.05	0.17	1,425,476.91	0.3	3,302,446.14
Total	2,842,898,911.59	100.00	184,879,262.22	0.07	2,658,019,649.37

(Continued)

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	173,061,959.33	9.04	163,333,204.34	94.38	9,728,754.99

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion(%)	Amount	Proportion(%)	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	126,005,125.10	6.58	22,703,322.23	18.02	103,301,802.87
Group 2: related party group	1,607,493,721.89	84.00	—	—	1,607,493,721.89
Subtotal of groups	1,733,498,846.99	90.59	22,703,322.23	1.31	1,710,795,524.76
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	7,101,401.90	0.37	2,131,520.57	30.02	4,969,881.33
Total	1,913,662,208.22	100.00	188,168,047.14	9.83	1,725,494,161.08

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
Chongqing 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	8,387,197.52	46.30	Assessment impairment
Total	173,061,959.33	163,333,204.34	—	—

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	70,548,176.76	1,410,963.54	2.00
1 to 2 years	23,131,613.27	1,156,580.66	5.00
2 to 3 years	11,037,720.70	2,207,544.14	20.00
3 to 4 years	2,634,461.48	1,317,230.74	50.00
4 to 5 years	278,029.22	139,014.61	50.00
Over 5 years	13,889,247.28	13,889,247.28	100.00
Total	121,519,248.71	20,120,580.97	—

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 within the consolidation scope	2,543,589,780.50	—	—
Total	2,543,589,780.50	—	—

(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 000; the amount of the reversed or collected part during the Reporting Period was of RMB3,288,784.92.

(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
Kaikai Shijie	Intercourse funds	445,251,804.52	Within 1 year, 1 to 2 years	15.66	—
Anhui Tongchuang	Intercourse funds	438,095,069.40	Within 1 year, 1 to 2 years	15.41	—
Konka Household Appliances	Intercourse funds	359,413,591.91	Within 1 year	12.64	—

Name of the entity	Nature	Closing balance	Aging	Proportion (%)	Bad debt provision Closing balance
Telecommunication Technology	Intercourse funds	347,253,097.02	Within 1 year	12.21	—
Konka Factoring	Intercourse funds	344,417,113.46	Within 1 year	12.11	—
Total		1,934,430,676.31		68.04	0.00

3. Long-term Equity Investment

(1) List of 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	2,257,782,345.01	46,732,484.69	2,211,049,860.32	2,217,782,345.01	46,732,484.69	2,171,049,860.32
Investment to joint ventures and associated enterprises	531,766,557.93	5,158,909.06	526,607,648.87	218,079,058.61	5,158,909.06	212,920,149.55
Total	2,789,548,902.94	51,891,393.75	2,737,657,509.19	2,435,861,403.62	51,891,393.75	2,383,970,009.87

(2) Investment to the Subsidiary

Investee	Opening balance	Increase	Decrease	Closing balance	Opening balance of impairment provision	Withdrawn impairment provision in the Reporting Period	Decrease of impairment provision in the reporting period	Closing balance of impairment provision
Mudangjian g electric appliances	36,000,000.00				36,000,000.00			36,000,000.00
Anhui Konka	122,780,937.98				—			—
Dongguan	274,783,988.91				—			—

Investee	Opening balance	Increase	Decrease	Closing balance	Opening balance of impairment provision	Withdrawn impairment provision in the Reporting Period	Decrease of impairment provision in the reporting period	Closing balance of impairment provision
Konka								
Hong Kong Konka	781,828.61				—			—
Konka Europe	261,482.50				—			—
Kunshan Konka	350,000,000.00				—			—
Plasthetics	4,655,000.00				—			—
Konka Household Appliances	10,732,485.69				10,732,484.69			10,732,484.69
Telecommuni- cation Technology	90,000,000.00				—			—
Shushida	31,500,000.00				—			—
Fittings Technology	48,750,000.00				—			—
Kunshan Kangsheng	350,000,000.00				—			—

Investee	Opening balance	Increase	Decrease	Closing balance	Opening balance of impairment provision	Withdrawn impairment provision in the Reporting Period	Decrease of impairment provision in the reporting period	Closing balance of impairment provision
Anhui Tongchuang	69,702,612.22				—			—
Konka Optoelectronic	10,000,000.00				—			—
Wankaida	10,000,000.00				—			—
Beijing Konka	30,000,000.00				—			—
Shushida Logistics	10,000,000.00				—			—
Konka E-display	7,200,000.00				—			—
Kaikai Shijie	16,000,000.00				—			—
Kangqiao Jiacheng	700,000,000.00				—			—
Commercial Technology	5,832,000.00				—			—
Mobile Internet	10,200,000.00				—			—

Investee	Opening balance	Increase	Decrease	Closing balance	Opening balance of impairment provision	Withdrawn impairment provision in the Reporting Period	Decrease of impairment provision in the reporting period	Closing balance of impairment provision
E3info	20,000,000.00				—			—
Dongguan Packing	8,602,009.10				—			—
Chuzhou Konka		40,000,000.00		40,000,000.00				
Total	2,217,782,345.01	40,000,000.00	0.00	2,257,782,345.01	46,732,484.69			46,732,484.69

① Investment to associated enterprises

Investee	Opening book value	Increase/decrease in Reporting Period					
		Increase after the transfer to equity method from cost	Increased investment	Decreased 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.	85,791,460.70				-3,733,992.50	-449,802.04	-1,166,602.46
Zhuhai Jinsu Plastic Co., Ltd.	7,438,647.50						
Konka Intelligent Electric Appliance	6,213,908.63				-495,301.18		

Investee	Opening book value	Increase/decrease in Reporting Period					
		Increase after the transfer to equity method from cost	Increased investment	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Yingrui Optoelectronic (Shanghai) Co., Ltd.	86,545,225.20						
Shenzhen Zhongbing Konka Technology Company	19,164,691.78				-3,060,432.97		
Shenzhen Konka Information Network Co., Ltd.	12,925,124.80				794,032.47		
Guangdong Chutian Dragon Smart Card Co., Ltd.			150,000,000.00				
Shenzhen Yaode Technology Co., Ltd.			171,799,598.00				
Total	218,079,058.61	0.00	321,799,598.00	0.00	-6,495,694.18	-449,802.04	-1,166,602.46

(Continued)

Investee	Increase/decrease in Reporting Period			Closing book value	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Others		
Shanghai Konka Green Science & Technology Co., Ltd.				80,441,063.70	—
Zhuhai Jinsu Plastic Co., Ltd.				7,438,647.50	—
Konka Intelligent Electric Appliance				5,718,607.45	—

Investee	Increase/decrease in Reporting Period			Closing book value	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Others		
Yingrui Optoelectronic (Shanghai) Co., Ltd.				86,545,225.20	—
Shenzhen Zhongbing Konka Technology Company				16,104,258.81	—
Shenzhen Konka Information Network Co., Ltd.				13,719,157.27	5,158,909.06
Guangdong Chutian Dragon Smart Card Co., Ltd.				150,000,000.00	
Shenzhen Yaode Technology Co., Ltd.				171,799,598.00	
Total				531,766,557.93	5,158,909.06

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	4,206,989,260.45	3,482,365,918.48	4,302,017,760.17	3,585,433,823.43
Other operations	2,065,723,384.28	1,961,473,989.08	2,143,962,777.99	2,053,325,304.25
Total	6,272,712,644.73	5,443,839,907.56	6,445,980,538.16	5,638,759,127.68

(2) Main Operations (Classified by Industry)

Industry	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Electronic industry	4,206,989,260.45	3,482,365,918.48	4,302,017,760.17	3,585,433,823.43
Total	4,206,989,260.45	3,482,365,918.48	4,302,017,760.17	3,585,433,823.43

(3) Main Operations (Classified by Product)

Product	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Color TV business	4,058,572,854.30	3,352,318,191.14	4,081,763,878.87	3,396,084,238.81
Consumer appliances business	148,212,399.29	129,780,963.65	175,160,620.74	148,984,332.14
Others	204,006.86	266,763.69	45,093,260.56	40,365,252.48
Total	4,206,989,260.45	3,482,365,918.48	4,302,017,760.17	3,585,433,823.43

(4) Main Operations (Classified by Area)

Area	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Domestic sales	3,822,475,481.58	3,102,447,555.27	3,760,982,130.37	3,052,781,690.91

Area	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Overseas sales	384,513,778.87	379,918,363.21	541,035,629.80	532,652,132.52
Total	4,206,989,260.45	3,482,365,918.48	4,302,017,760.17	3,585,433,823.43

(5) The Revenue of Sales from the Top Five Customers

Period	Main operation revenue	Proportion of total business revenue (%)
January-June 2017	1,153,169,124.71	18.38
January-June 2016	1,401,966,640.64	21.75

5. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	33,233,152.36	
Long-term equity investment income accounted by equity method	-6,495,694.18	4,112,715.97
Investment income arising from disposal of long-term equity investments		
Investment income received from holding of financial assets measured at fair value and changes be recorded into the current gains/losses		
Investment income received from disposal of financial assets measured at fair value and changes be recorded into the current gains/losses	16,271,994.98	
Investment income received from holding of held-to-maturity investment		
Investment income received from holding of available-for-sale financial assets		1,310,000.00
Investment income received from disposal of available-for-sale financial assets		15,380.40
Gains received from the rest of equity re-measured at fair value after losing control rights		
Income from trust management	34,754,476.41	15,189,925.75
Total	77,763,929.57	20,628,022.12

XVI. Supplementary Materials

1. Items and Amounts of Extraordinary Gains and Losses

Item	Amount	Notes
Gains/losses on the disposal of non-current assets	32,560,637.29	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents		
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government RMB000.ees for acc	79,034,666.86	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses		
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments		
Gain/loss on non-monetary asset swap		
Gain/loss on entrusting others with investments or asset management	30,058,960.78	
Asset impairment provisions due to acts of God such as natural disasters		
Gains and losses from debt restructuring		
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.		
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices		
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date		
Profit and loss from contingencies irrelative to the normal business operations of company		

Item	Amount	Notes
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	-61,493,877.60	
Depreciation reserves returns of receivables with separate depreciation test		
Gain/loss on entrustment loans	280,538.52	
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		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations		
Custody fee income when entrusted with operation		
Other non-operating income and expenses other than the above	8,144,500.65	
Project confirmed with the definition of non-recurring gains and losses and losses		
Subtotal	88,585,426.50	
Income tax effects	12,549,958.46	
Minority interests effects (after tax)	707,988.01	
Total	75,327,480.03	

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	35,115,965.51	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

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (RMB/share)	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	1.06	0.0128	0.0128
Net profits attributed to the common shareholders after deducting the non-current gains and losses	-1.52	-0.0185	-0.0185

Section XI 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.
August 24, 2017