KONKA GROUP CO., LTD.

2014 ANNUAL REPORT

2015-07

April 2015

Section I. Important Reminders, Catalogue & Explanation

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Konka Group Co., Ltd. (hereinafter referred to as "the Company") warrant that this report is factual, accurate and complete without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors attended the board session for reviewing this report.

The Company's profit distribution preplan upon review and approval of this board session: Based on the total 1,203,972,704 shares of the Company, a cash dividend of RMB 0.10 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

Chen Yuehua, company principal, Huang Zhiqiang, chief of the accounting work, and Xu Youshan, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

The future plans and some other forward-looking statements involved in this report shall not be considered as virtual promises of the Company to investors. And investors are kindly reminded to pay attention to possible risks.

This report is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.

Catalogue

Explanation

Term	Refers to	Definition
Company, the Company, the Group	Refers to	Konka Group Co., Ltd.
Telecommunication Technology	Refers to	Shenzhen Konka Telecommunications Technology Co., Ltd.
Video & Communication Systems Engineering	Refers to	Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.
Precision Mold	Refers to	Shenzhen Konka Precision Mold Manufacturing Co., Ltd.
Konka Household Appliances	Refers to	Shenzhen Konka Household Appliances Co., Ltd.
Information Network	Refers to	Shenzhen Konka Information Network Co., Ltd.
Plastic Products	Refers to	Shenzhen Konka Plastic Products Co., Ltd.
Electrical Appliances	Refers to	Shenzhen Konka Electrical Appliances Co., Ltd.
Fittings Technology	Refers to	Shenzhen Konka Electronic Fittings Technology Co., Ltd.
Mudanjiang Appliances	Refers to	Mudanjiang Arctic Ocean Appliances Co., Ltd.
Shanxi Konka	Refers to	Shanxi Konka Electronic Co., Ltd.
Chongqing Konka	Refers to	Chongqing Konka Electronic Co., Ltd.
Chongqing Electronic	Refers to	Chongqing Konka Automotive Electronic Co., Ltd.
Chongqing Qingjia	Refers to	Chongqing Qingjia Electronics Co., Ltd.
Anhui Konka	Refers to	Anhui Konka Electronic Co., Ltd.
Anhui Household Appliances	Refers to	Anhui Konka Household Appliances Co., Ltd.
Changshu Konka	Refers to	Changshu Konka Electronic Co., Ltd.
Kunshan Konka	Refers to	Kunshan Konka Electronic Co., Ltd.
Dongguan Konka	Refers to	Dongguan Konka Electronic Co., Ltd.

Dongguan Packing	Refers to	Dongguan Konka Packing Materials Co., Ltd.
Dongguan Mould Plastic	Refers to	Dongguan Konka Mould Plastic Co., Ltd.
Boluo Konka	Refers to	Boluo Konka PCB Co., Ltd.
Boluo Precision	Refers to	Boluo Konka Precision Technology Co., Ltd.
Nanhai Institute	Refers to	Konka (Nanhai) Development Center
Hong Kong Konka	Refers to	Hong Kong Konka Co., Ltd.
Konka Household Appliances Investment	Refers to	Konka Household Appliances Investment & Development Co., Ltd.
Konka Household Appliances International Trading	Refers to	Konka Household Appliances International Trading Co., Ltd.
Konka America	Refers to	Konka America, Inc.
Konka Europe	Refers to	Konka (Europe) Co., Ltd.
Xutongda	Refers to	Dongguan Xutongda Mould Plastic Co., Ltd.
Konka Optoelectronic	Refers to	Shenzhen Konka Optoelectronic Technology Co., Ltd.
Wankaida	Refers to	Shenzhen Wankaida Science and Technology Co., Ltd.
Kunshan Kangsheng	Refers to	Kunshan Kangsheng Investment Development Co., Ltd.
Anhui Tongchuang	Refers to	Anhui Konka Tongchuang Household Appliances Co., Ltd.
Indonesia Konka	Refers to	Indonesia Konka Electronics Co., Ltd.
Shushida Logistics	Refers to	Shenzhen Shushida Logistics Service Co., Ltd.
Beijing Konka Electronic	Refers to	Beijing Konka Electronic Co., Ltd.
Kunshan Jielunte	Refers to	Kunshan Jielunte Mould Plastic Co. , Ltd.
Wuhan Jielunte	Refers to	Wuhan Jielunte Mould Plastic Co. , Ltd.
Chuzhou Jielunte	Refers to	Chuzhou Jielunte Mould Plastic Co. , Ltd.
Konka E-display	Refers to	Shenzhen Konka E-display Co., Ltd.
Xiamen Dalong	Refer	Xiamen Dalong Trading Co., Ltd.

	s to	
Tianjin Kangrong	Refers to	Tianjin Youshi Kangrong Culture Communication Co., Ltd.
CSRC	Refers to	China Securities Regulation Commission
SZSE	Refers to	Shenzhen Stock Exchange
CSRC Shenzhen Bureau	Refers to	Shenzhen Bureau of China Securities Regulation Commission
Yuan, Ten thousand Yuan, One Hundred Million Yuan	Refers to	RMB Yuan, RMB Ten thousand, RMB One Hundred Million Yuan

Reminder of Major Risks

I. Securities Times, Ta Kung Pao (HK) and www.cninfo.com.cn have been designated by the Company as the media for information disclosure. All information of the Company shall be subject to what is disclosed by the Company on the said media. And Investors are kindly reminded to pay attention to possible investment risks.

II. The Company has described in detail possible risks in this report. Please refer to the possible risks and countermeasures in the discussion and analysis on the Company's future development in "Section IV. Report of the Board of Directors".

Section II. Company Profile

I. Company information

Stock abbreviation	SKJA, SKJB	Stock code	000016, 200016
Stock abbreviation after change (if any)	Naught		
Stock exchange listed with	Shenzhen Stock Exchange		
Chinese name of the Company	康佳集团股份有限公司		
Abbr. of the Chinese name of the Company	康佳集团		
English name of the Company (if any)	KONKA GROUP CO.,LTD		
Abbr. of the English name of the Company (if any)	KONKA GROUP		
Legal representative of the Company	Chen Yuehua		
Registered address	Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong Province, China		
Postal code for the registered address	518053		
Office address	Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong Province, China		
Postal code for the office address	518053		
Internet website of the Company	www.konka.com		
Email address	szkonka@konka.com		

II. Contact us

	Company Secretary	Securities Affairs Representative
Name	Xiao Qing	Wu Yongjun
Contact address	Secretariat to the Board of Directors, Konka Group Co., Ltd., Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong Province, China	Secretariat to the Board of Directors, Konka Group Co., Ltd., Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong Province, China
Tel.	0755-26608866	0755-26608866
Fax	0755-26600082	0755-26600082
E-mail	szkonka@konka.com	szkonka@konka.com

III. About information disclosure and where this report is placed

Newspapers designated by the Company for information disclosure	Securities Times, etc.
Internet website designated by CSRC for disclosing this report	www.cninfo.com.cn

Where this report is placed	Secretariat to the Board of Directors, Konka Group Co., Ltd., Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong Province, China

IV. Change of the registered information

	Registration date	Registration place	Business license No.	Registration code of taxation	Organizational code
Initial registration	1 Oct. 1980	Shahe, Shenzhen, Guangdong Province, China	GSQYS No. 190806	440301618815578	-
At the end of the reporting period	29 Dec. 2011	Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong Province, China	440301501121863	440301618815578	618815578
Changes of the main business since listing (if any)	Unchanged				
Changes of the controlling shareholder (if any)	Unchanged				

V. Other information

The CPAs firm hired by the Company:

Name	Ruihua Certified Public Accountants
Office address	5-11F, West Tower, China Overseas Property Plaza, Building No. 7, Compound No. 8, Xibinhe Road, Yongding Men, Dongcheng District, Beijing, P.R.C.
Signing accountants	Liu Jianhua, Tang Qimei

Sponsor engaged by the Company to conduct sustained supervision during the reporting period

□ Applicable √ Inapplicable

Financial consultant engaged by the Company to conduct sustained supervision during the reporting period

□ Applicable √ Inapplicable

Section III. Accounting & Business Highlights

I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

√ Yes □ No

	2014	2013		Increase or decrease of this year over last year (%)	2012	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating revenue (RMB Yuan)	19, 423, 488, 994. 07	20, 006, 736, 878. 82	20, 006, 736, 878. 82	-2. 92%	18, 337, 861, 657. 29	18, 337, 861, 657. 29
Net profit attributable to shareholders of the Company (RMB Yuan)	52, 623, 527. 86	45, 163, 004. 10	45, 820, 496. 73	14. 85%	45, 829, 234. 02	50, 342, 194. 51
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-475, 481, 381. 45	-69, 014, 834. 39	-68, 357, 341. 76	-595. 58%	-54, 088, 758. 02	-49, 575, 797. 53
Net cash flows from operating	-640, 385, 182. 05	2, 283, 254, 200. 89	2, 283, 254, 200. 89	-128. 05%	-359, 244, 914. 58	-359, 244, 914. 58

activities (RMB Yuan)						
Basic EPS (RMB Yuan/share)	0.0437	0.0375	0.0381	14.70%	0.0381	0.0418
Diluted EPS (RMB Yuan/share)	0.0437	0.0375	0.0381	14.70%	0.0381	0.0418
Weighted average ROE (%)	1.28%	1.11%	1.13%	0.15%	1.14%	1.25%
	As at 31 Dec. 2014	As at 31 Dec. 2013		Increase or decrease of this year-end than last year-end (%)	As at 31 Dec. 2012	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB Yuan)	16,779,359,276.65	15,743,284,335.49	15,744,099,307.58	6.58%	16,562,917,198.06	16,562,917,198.06
Net assets attributable to shareholders of the Company (RMB Yuan)	4,103,478,971.07	4,080,458,151.63	4,087,909,132.35	0.38%	4,043,591,538.85	4,048,104,499.34

II. Differences between accounting data under domestic and overseas accounting standards

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

□ Applicable √ Inapplicable

No such differences for the reporting period.

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

□ Applicable √ Inapplicable

No such differences for the reporting period.

III. Items and amounts of extraordinary gains and losses

√ Applicable □ Inapplicable

Unit: RMB Yuan

Item	2014	2013	2012	Note
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	587,454,101.18	61,547,807.91	6,267,350.97	
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's unified standards	75,401,093.20	84,343,548.07	79,452,692.05	
Gain/loss on non-monetary asset swap			71,191.44	
Gain/loss on entrusting others with investments or asset management	12,260,439.18			
Asset impairment provisions due to acts of God such as natural disasters		-1,041,162.02		
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company		21,115.80	27,226,435.86	
Non-operating income and expense other than the above	16,207,940.59	8,508,013.84	4,696,935.93	
Other gain and loss items that meet the definition of an extraordinary gain/loss	-151,895.48	-1,369,748.77		
Less: Income tax effects	158,734,972.90	31,336,650.82	11,106,708.03	
Minority interests effects (after tax)	4,331,796.46	6,495,085.52	6,689,906.18	
Total	528,104,909.31	114,177,838.49	99,917,992.04	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

√ Applicable □ Inapplicable

Item	Amount involved (RMB Yuan)	Reason
Tax rebates on software	155,396,179.33	Government grants closely related to the Company's normal operation and constantly given at certain quotas or amounts according to the government's policies and standards

Section IV. Report of the Board of Directors

I. Overview

In 2014, we continued to follow the guidance of the value operation strategy, seized opportunities arising from the embrace with Internet, followed the two main lines of platform construction and process reform, and focused on solving bottlenecks hindering business development. Through the common efforts of all employees, we fulfilled all the operating objectives for the year.

As the sales volume and income of color TVs in China both decreased, our domestic sales income of color TVs also showed a certain drop, leading to a certain drop in our total sales income. For 2014, the Company achieved a sales income of RMB 19.423 billion, down 2.92% from the year earlier; and net profit attributable to owners of the Company (without subsidiaries) of RMB 52.6235 million.

II. Main business analysis

1. Summary

The Company's review on progress in the reporting period of development strategies and business plans previously disclosed

In 2014, facing with fierce market competitions, businesses of the Company stood up to the pressure, strived for innovation, and gained a series of achievements with business highlights as below:

(I) Official launch of the strategy of internet transformation

According to the requirement of "Embracing the Internet & Starting New Journey" proposed in the year-begin by Mr. Wu Siyuan, chairman of the Board, Shenzhen Konka launched the strategy of internet transformation in full swing. On 18 Mar 2014, in the conference for new product release and dealers, of which the theme is "E-dominance", Shenzhen Konka published the "1+1" strategy, namely the E-strategy combined with E-end and E-platform, presenting the goal of building the first smart TV-Internet operation platform in China. Soon afterwards, under the framework of E-strategy, Shenzhen Konka successively released a series of new smart TV products, and made strategic cooperation with internet enterprises and video websites, such as Tencent and Youku.

(II) The process and informatization construction started speeding up sharply

One of the key assignments for Shenzhen Konka in 2014 was process and informatization construction. In 2014, Shenzhen Konka set out five process transformation projects, including the project of end-to-end inventory, the project of terminal/channel competitiveness improvement (IHS project), the project of CPM operation system, the project of chasing root causes and persistently optimizing mechanism through the complete process for quality issues, and the project of visualizing KPI statements, so as to improve the business capacity and operation efficiency of Shenzhen Konka. The implementation of aforesaid projects have almost accomplished now, bringing about periodic results.

Shenzhen Konka will unswervingly carry forward the application of information systems in real work and, with concrete applications, further reform the information systems of Konka, sustainably raise the informatization level of Konka, as well as constantly optimize the operation and management process of the Company.

(III) Rebranding stepped into a fresh situation

In 2014, the year when Shenzhen Konka invested the largest and made the most actions in brand building as compared with recent years, Shenzhen Konka launched the new VI system, published new brand idea of "Delicacy Products and Wonderful Life" and new brand-advertising commercials, carried out the spokesperson plan, invited Fan Bingbing, the entertainment star, as the brand spokesperson for Shenzhen Konka, and concurrently as the supporting spokesperson for new products of E-TV slim, spread abroad the commercials and meanwhile marketed the products, and comprehensively set up the smart internet strategy of Shenzhen Konka.

(IV) Approval on the project scheme about urban renewal of the headquarter base

With the contribution of two years of efforts, in the Special Shareholders' General Meeting held on 8 Dec 2014, the scheme about project development for urban renewal of the headquarter base was approved. Shenzhen Konka and the OCT group company would jointly develop the project based on the ratio of 7:3. The headquarter base would be transformed to a complex showing science and technology innovation and covering total floor area of 260,000 square meters, which would not only promote the image of the Company, but also powerfully support the sustainable future development of Shenzhen Konka, as well as promote the development of science and technology industry, culture and industry, and modern service industry of Nanshan District and Shenzhen. As a result, the land value will be effectively reflected, the regional and municipal service function will be improved, the territorial and municipal image will be promoted, and the overall industry structure will be optimized and upgraded, which will well benefit the society and business.

(V) Steady development of main businesses under pressure

1. Multi-media business

In respect of internal business operation, the Company tightened up quality control and reiterated the lifeline status of quality; tightened up service and put prior emphasis on service control projects among branch companies; tightened up planning, broke through ends from front to back, and interiorized the concept of whole-chain cost control; and tightened up process reformation, and fully launched five projects, including projects of SP1, CPM, IHS, chasing root causes for quality issues, and BI statements.

In respect of external branding, the Company published E-Strategy, promoted E-TV concept, YIUI system, and E-TV slim engaged Fan Bingbing as the spokesperson, deepened the strategic cooperation with Youku, and became the strategic cooperator with Tencent in color TV industry.

In respect of marketing innovation, the Company opened up a new situation where the three brands, E-TV, KKTV, and Modern TV of Shenzhen Konka were put into on-line and off-line launch thoroughly.

2. Overseas sales business

On one hand, the Company tightly grasped the opportunity of World Cup held in Brazil and put full efforts into sales. On the other hand, the Company overcame negative factors, such as intense supply chain and raising cost, managed on quality and cost control internally, and expanded supply chain and client coverage externally. The Company not only successfully introduced the brand of Toshiba in Brazil, but also expanded telecom clients in India, and hit historic high on sales scale.

3. Mobile business

The Company has accomplished the transformation from B2C to B2B mode by adjusting business models, and realized all-around linkage with clients in dimensions including resource, organization, staff, business process, quality, after-sales, and product definition. The Company reformed the traditional domestic sales channels, centralized main resources to overseas sales and operator business, and achieved rapid growth in overseas business.

4. White household appliance business

While getting over difficulties brought by the severe downturn of the industry, the Company pushed forward basic management work in an all-round way, largely intensified basic management work, and not only obtained growth of refrigerators and washing machines in difficult situation, but also successfully marched towards the air conditioner field. The product line of refrigerators was strengthened comprehensively, reflecting on quick supplement of side-by-side combination refrigerators and four-door refrigerators, rapid growth of e-business, and the rank among top five in aspect of core channels.

State the reasons why the Company's actual business performance is 20% lower or higher than the earning forecast for the reporting period which has been publicly disclosed earlier

□ Applicable √ Inapplicable

Changes in the main operational mode

□ Applicable √ Inapplicable

2. Revenues

Notes:

As the sales volume and income of color TVs in China both decreased, our domestic sales income of color TVs also showed a certain drop, leading to a certain drop in our total sales income.

Whether the physical sales revenue of the Company is larger than that of the service

√ Yes □ No

Reasons for any over-30% YoY movement of the data above:

□Applicable √ Inapplicable

Major orders on hand:

□ Applicable √ Inapplicable

Significant change or adjustment of the Company's products or services during the reporting period:

□ Applicable √ Inapplicable

Major customers:

Total sales to the top 5 customers (RMB Yuan)	3,303,518,733.47
Ratio of the total sales to the top 5 customers to the annual total sales (%)	17.01%

Information about the top 5 customers:

□ Applicable √ Inapplicable

Other information about major customers:

□ Applicable √ Inapplicable

3. Costs

Classified by industry:

Unit: RMB Yuan

Industry	Item	2014		2013		YoY +/- (%)
		Amount	Proportion in operating costs	Amount	Proportion in operating	

			(%)		costs (%)	
Electronics	Raw materials	15,737,054,443.96	94.04%	15,793,215,821.68	94.79%	-0.75%
Electronics	Labor cost	668,090,268.67	3.99%	605,504,760.44	3.63%	0.36%
Electronics	Depreciation	64,478,575.17	0.39%	62,570,334.60	0.38%	0.01%

Classified by product:

Unit: RMB Yuan

Product	Item	2014		2013		YoY +/- (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Color TVs	Color TVs	12,516,818,815.26	74.80%	13,072,644,058.73	78.46%	-3.66%
Cell phones	Cell phones	1,443,167,712.05	8.62%	1,418,629,105.82	8.51%	0.11%
Consumer appliances	Consumer appliances	1,106,574,443.35	6.61%	1,204,755,092.16	7.23%	-0.62%
Other	Other	1,403,062,317.14	8.38%	765,262,660.01	4.59%	3.79%

Notes:

The cost structure of the main products of the Company was basically in accordance with that of 2013.

Major suppliers:

Total purchases from the top 5 suppliers （RMB Yuan）	6,394,961,376.81
Ratio of the total purchases from the top 5 suppliers to the annual total purchases（%）	40.87%

Information about the top 5 suppliers:

□ Applicable √ Inapplicable

Other information about major suppliers:

□ Applicable √ Inapplicable

4. Expense

5. R&D expenses

In the reporting period, the Company spent RMB 000 on R&D, up 000% from 2013. The Company continued to enhance the R&D input and tried to lay a solid foundation for it to carry out product differentiation through constantly developing new products, studying new techniques, altering the existing equipment and continuously enriching the product varieties and series. Meanwhile, it constantly carried out technical innovation and rational suggestion to increase the production efficiency, improve the core competitiveness and continue to keep a leading position in the industry.

6. Cash flows

Unit: RMB Yuan

Item	2014	2013	YoY +/- (%)
Subtotal of cash inflows from operating activities	18,464,400,652.40	19,995,164,215.60	-7.66%
Subtotal of cash outflows from operating activities	19,104,785,834.45	17,711,910,014.71	7.86%
Net cash flows from operating activities	-640,385,182.05	2,283,254,200.89	-128.05%
Subtotal of cash inflows from investing activities	3,104,636,438.39	65,625,565.82	4,630.83%
Subtotal of cash outflows from investing activities	3,473,214,203.50	289,680,969.24	1,098.98%
Net cash flows from investing activities	-368,577,765.11	-224,055,403.42	-64.50%
Subtotal of cash inflows from financing activities	4,827,571,410.52	5,819,964,097.43	-17.05%
Subtotal of cash outflows from financing activities	3,947,765,478.96	6,956,511,999.28	-43.25%
Net cash flows from financing activities	879,805,931.56	-1,136,547,901.85	177.41%
Net increase in cash and cash equivalents	-131,252,584.13	947,446,251.84	-113.85%

Reasons for any over-30% YoY movement of the data above:

√ Applicable □ Inapplicable

Reasons for a big difference between the operating cash flows and the net profit:

√ Applicable □ Inapplicable

III. Breakdown of main business

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit rate (%)	Increase/decrease of operating revenue over last year (%)	Increase/decrease of operating cost over last year (%)	Increase/decrease of gross profit rate over last year (%)

Classified by industry:						
Electronic	19, 075, 390, 465. 68	16, 469, 623, 287. 80	13. 66%	-3. 44%	0. 05%	-3. 01%
Classified by product:						
Color TVs	14, 697, 422, 135. 45	12, 516, 818, 815. 26	14. 84%	-7. 59%	-4. 25%	-2. 97%
Cell phones	1, 587, 898, 794. 07	1, 443, 167, 712. 05	9. 11%	2. 36%	1. 73%	0. 56%
Consumer appliances	1, 277, 294, 037. 34	1, 106, 574, 443. 35	13. 37%	-6. 76%	-8. 15%	1. 31%
Other	1, 512, 775, 498. 82	1, 403, 062, 317. 14	7. 25%	62. 88%	83. 34%	-10. 35%
Classified by region:						
China	14, 362, 851, 294. 58	11, 986, 596, 367. 77	16. 54%	-8. 96%	-6. 41%	-2. 27%
Other countries	4, 712, 539, 171. 10	4, 483, 026, 920. 03	4. 87%	18. 44%	22. 71%	-3. 31%

Where the Company’s accounting standard of the main business data above changed during the reporting period, give the main business data of the latest year adjusted according to the accounting standard at the end of the reporting period:

□ Applicable √ Inapplicable

IV. Asset and liability analysis

1. Major changes of asset items

Unit: RMB Yuan

	As at 31 Dec. 2014		As at 31 Dec. 2013		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Monetary funds	1, 703, 135, 732. 18	10. 15%	1, 843, 743, 089. 94	11. 71%	-1. 56%	
Accounts receivable	2, 259, 293, 207. 16	13. 46%	2, 460, 996, 984. 92	15. 63%	-2. 17%	
Inventories	3, 904, 436, 250. 33	23. 27%	3, 582, 669, 024. 26	22. 76%	0. 51%	
Investing real estate	233, 349, 452. 80	1. 39%	237, 986, 524. 12	1. 51%	-0. 12%	
Long-term equity investment	362, 765, 183. 66	2. 16%	436, 017, 471. 50	2. 77%	-0. 61%	
Fixed assets	1, 783, 695, 548. 92	10. 63%	1, 908, 503, 979. 80	12. 12%	-1. 49%	

Construction in progress	159, 604, 884. 09	0. 95%	49, 924, 027. 97	0. 32%	0. 63%	

2. Major changes of liability items

Unit: RMB Yuan

	2014		2013		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Short-term borrowings	5, 145, 712, 436. 91	30. 66%	5, 239, 069, 764. 48	33. 28%	-2. 62%	
Long-term borrowings	957, 541, 210. 52	5. 71%	5, 000, 000. 00	0. 03%	5. 68%	

3. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB Yuan

Item	Opening amount	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Amount purchased in the reporting period	Amount sold in the reporting period	Closing amount
Financial assets							
3.Available-for-sale financial assets	941,999.30	688,609.70					1,630,609.00
Investing real estate							
Productive biological assets							

Total of the above	941,999.30	688,609.70					1,630,609.00
Financial liabilities							

Did any significant change occur to the attribute of the Company's main asset measurement during the reporting period?

□ Yes √ No

4. Main assets overseas

□ Applicable √ Inapplicable

V. Core competitiveness analysis

The Company's capability in R&D, the marketing network and manufacture constitutes its competitive edges. 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 try to enhance the strength and thickness of technical innovations to increase its overall competitiveness.

VI. Investment analysis

1. Investments in equities of external parties

(1) Investments in external parties

√ Applicable □ Inapplicable

Investments in external parties		
Investment amount in 2014 (RMB Yuan)	Investment amount in 2013 (RMB Yuan)	+/-%
249,170,764.00	0	Inapplicable
Particulars about investees		
Name of investee	Main business	Proportion of the Company's investment in the investee's total equity interests (%)

(2) Equity-holdings in financial enterprises

□ Applicable √ Inapplicable

No such cases in the reporting period.

(3) Securities investments

√ Applicable □ Inapplicable

Variety of securities	Code of securities	Name of securities	Initial investment cost (RMB	Number of shares held at	Shareholding percentage at	Number of shares held at	Shareholding percentage at	Closing book value (RMB	Gain/loss for reporting	Accounting title	Source of stock

			Yuan)	period-begin	period-begin	period-end	period-end	Yuan)	period (RMB Yuan)		
Stock	000002	Vanke A	2,311,748.07	117,310	0.00%	117,310	0.00%	1,630,609.00	688,609.70	Available-for-sale financial assets	Subscription for additionally issued shares
Total			2,311,748.07	117,310	--	117,310	--	1,630,609.00	688,609.70	--	--
Disclosure date of the board announcement on approval of the securities investment			Inapplicable								
Disclosure date of the general meeting announcement on approval of the securities investment (if any)			Inapplicable								

(4) Shareholdings in other listed companies

□ Applicable √ Inapplicable

No such cases in the reporting period.

2. Wealth management entrustment, derivative investments and entrustment loans

(1) Wealth management entrustment

□ Applicable √ Inapplicable

No such cases in the reporting period.

(2) Derivative investments

□ Applicable √ Inapplicable

No such cases in the reporting period.

(3) Entrustment loans

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand

Borrower	Related party or not	Amount of loan	Interest rate	Guarantor or pawn	Usage of loan by borrower
Anhui Konka Tongchuang Household Appliances Co., Ltd.	No	33,000	6.00%	Naught	Capital turnover
Kunshan Kangsheng Investment Development Co.,	No	27,000	6.00%	Naught	Capital turnover

Ltd.					
Total	--	60,000	--	--	--
Expanded, overdue period or lawsuits events (if any)	Inapplicable				
Solutions of expanded, overdue period or lawsuits events (if any)	Inapplicable				
Disclosure date of the board announcement approving the entrustment loans (if any)	Inapplicable				
Disclosure date of the general meeting announcement approving the entrustment loans (if any)	Inapplicable				

3. Use of raised funds

□ Applicable √ Inapplicable

No such cases in the reporting period.

4. Analysis to main subsidiaries and stock-participating companies

√ Applicable □ Inapplicable

Particulars about main subsidiaries and stock-participating companies:

Unit: RMB Yuan

Company name	Company variety	Industry	Main products/ services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Shenzhen Refond Optoelectronics Co., Ltd.	Joint stock company	Manufacture	Production and sale of LED	RMB219,139,701.00	1,244,151,931.41	640,134,316.09	906,849,275.86	17,643,171.03	23,740,145.68
EnRay Tek Optoelectronics (Shanghai) Co., Ltd.	Joint stock company	Manufacture	Production and sale of LED	USD50,000,000.00	875,265,958.44	287,232,805.86	150,182,731.09	-76,043,445.09	-30,454,225.45
Shenzhen Konka Telecommunications	Subsidiary	Manufacture	Production and sale of mobile communication	RMB120,000,000.00	564,208,765.72	-199,249,037.92	1,617,195,917.82	-28,370,219.53	-13,492,187.45

Technology Co., Ltd.			products & sale of multimedia products						
Shenzhen Konka Precision Mold Manufacturing Co., Ltd.	Subsidiary	Manufacture	Production and sale of plastic products and molds	RMB40,000,000.00	244,931,368.82	81,046,083.63	177,708,791.65	1,791,816.79	1,695,078.23
Anhui Konka Electronic Co., Ltd.	Subsidiary	Manufacture	Production and sale of multimedia products	RMB140,000,000.00	758,703,288.43	281,569,421.56	4,505,390,088.43	-20,153,654.73	1,528,671.19
Kunshan Konka Electronic Co., Ltd.	Subsidiary	Manufacture	Production and sale of liquid crystal modules and multimedia products	RMB350,000,000.00	629,588,811.90	360,102,282.86	1,903,833,825.42	-16,178,768.00	-15,384,683.71
Dongguan Konka Electronic Co., Ltd.	Subsidiary	Manufacture	Production and sale of multimedia products	RMB266,670,000.00	915,048,243.03	587,849,523.74	602,744,279.63	300,314,316.52	251,290,951.01
Dongguan Konka Mould Plastic Co., Ltd.	Subsidiary	Manufacture	Production and sale of mould and plastic products	RMB10,000,000.00	301,792,841.42	122,502,401.98	280,476,981.47	11,837,289.60	11,391,059.19
Hong Kong Konka Co., Ltd.	Subsidiary	International trade	Import and export of electro-mechanical and electronic products	HKD500,000.00	3,259,825,831.58	115,135,576.35	3,408,213,237.85	3,089,490.44	2,403,438.70
Konka Househol	Subsidiary	Investment	Investment	HKD500,000.00	198,025,571.05	70,612,197.33	-	-1,758,440.82	-2,048,714.69

d Appliances Investment & Development Co., Ltd.		holding							
Konka Household Appliances International Trading Co., Ltd.	Subsidiary	International trade	Import and export of electronics	HKD500,000.00	5,905,558,999.85	33,779,494.85	4,528,075,110.87	2,709,290.25	2,709,290.25
Shenzhen Wankaida Science and Technology Co., Ltd.	Subsidiary	Software development	Development and maintenance of software technology	RMB10,000,000.00	314,519,265.11	300,326,195.86	137,239,992.45	109,625,750.50	114,118,052.97
Kunshan Kangsheng Investment Development Co., Ltd.	Subsidiary	Real estate	Development, operation and investment of real estate	RMB350,000,000.00	829,476,515.29	273,995,475.59	180,019,436.00	-26,122,765.93	-37,570,363.28
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Subsidiary	Manufacture	Production and sale of refrigerators, washing machines and other household appliances	RMB180,000,000.00	866,440,707.04	-14,302,203.73	1,290,271,925.03	-80,379,010.08	-63,699,060.68

Explain particulars about main subsidiaries and stock-participating companies:

Subsidiaries acquired or disposed during the reporting period:

√ Applicable □ Inapplicable

Name of subsidiary	Purpose for acquiring or disposing the subsidiary in the reporting period	Way of acquiring or disposing the subsidiary in the reporting period	Influence on the overall production and business performance
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	The sale of the equity interests in this subsidiary was to dispose idle assets and generate funds inflows to increase the liquidity of funds and improve the Company's general performance.	Transferred to OCT Enterprises, the majority shareholder of the Company	Will help increase the Company's cash inflows and improve its financial situation
Shaanxi Konka	To further clarify the positions and business relations among the subsidiaries and improve the Company's operating efficiency with color TVs	Listed with an assets and equity exchange for transfer	Will help increase the Company's cash inflows and improve its financial situation

5. Significant projects invested with non-raised funds

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand Yuan

Project name	Total planed investment	Input for this period	Cumulative actual input as at the period-end	Project progress	Project earnings	Disclosure date (if any)	Disclosure index (if any)
Kunshan Shuiyue Zhouzhuang Project	200,000	19, 005. 91	77, 808. 00	38. 90%	The first phase of the project has reached sale and generated some incomes. And the second phase is now under construction.	6 Jul. 2010	www.cninfo.com.cn

VII. Predict the operating results of Jan.-Mar. 2015

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-begin to the end of the next reporting period according to prediction, as well as explanations on the reasons:

□ Applicable √ Inapplicable

VIII. Entities controlled by the Company for special purposes

□ Applicable √ Inapplicable

IX. Outlook of the Company's future development

Industry trend analysis in 2015

Viewing from industrial perspective, we can see that Shenzhen Konka will face both advantages and disadvantages in 2015:

(I) Advantages:

In 2015, the market capacity of products will basically stay stable. For color TV, the market capacity in China will basically stay at around 47 million units, and for refrigerators, it will stay at around 37 million units. For color TV, the market capacity in the globe will be around 240 million units, and for smart mobile phones, it will be around 1.4 billion units. Shenzhen Konka will still be in faced with a huge market with enough capacity.

However, the product structure will change a lot. Large-screen, smart, UHD, cambered, ultrathin and ultra light TV will keep possessing larger and larger ratio in color TV products. Mobile phone will still develop with growth cycling period of each generation for around 3-6 months, and the iteration development will be faster. The structural changes will also bring structural developing opportunities.

(II) Disadvantages:

Firstly, with limited gross capacity growth in the industry, competitions will be further fiercer.

Secondly, the cross-industry competitions will be more intense. The secondary growth of internet TV brands, such as LeTV and MI, will bring about more forceful impacts to the industry.

Thirdly, the emphasis of Korean brands to China market has been raised constantly.

Fourthly, the Chinese macro economy has stepped into the "New Normal" status of low growth and to-be-adjusted structure. The depression of related industries, for example, the real estate industry, can also bring great effect on household appliance industry.

(III) Conclusion

Challenges and opportunities concurrently exist. On one hand, the improvement and transformation of structure belongs to opportunity, but on the other hand, it will be disaster if not well handled. On one hand, ferocious competitions belong to disadvantage, but on the other hand, the Company can gain large-degree development if it can win in the battle.

In all, the Company should take objective review on trends, objectively stand up to challenges, seek for chances in disadvantages, and keep away risks in development.

IV. Business development ideas in 2015

(I) Core principles

In the year of 2015, Konka will make its all work by following three core principles:

Firstly, value management: commanding the overall situation by profit targets for profit contribution to the Company.

Secondly, back to the essentials: improving the management by product competitiveness. Shenzhen Konka is a company to produce products and create brands. It is the essence of the Company.

Thirdly, coordinating the current situation in the long run: promoting the development and actions to solve the problems of product competitiveness, expense control and inventory control; making plans for the long-term development measures, such as Internet transformation.

(II) Main missions

Shenzhen Konka will pay attention to following six aspects of the work around above three core principles:

1. Promoting the Internet transformation

It is required to response to Internet transboundary competition in short term and consolidate the survival and development in the long term.

Firstly, it is continuously to promote the strategic transformation to be the Internet platform construction project leading Shenzhen Konka.

Secondly, users of smart television in this year should be improved significantly and the assessment index is included in the indicators for performance appraisal of relevant business division.

Thirdly, intelligentization of refrigerator should be started.

Fourthly, sales volume of online brand KKTV should be increased with powerful influence in the market.

2. Improving the operation capacity and quality of businesses

Firstly, to reinforce the profits. The essential indicator of business performance is profit. Shenzhen Konka would adopt the profit norm to promote the achievement of scale and other health indicators.

Secondly, to improve the product management.

i. Product planning. Product planning is responsible by the general manager of the business, which is led and guided by the direct leader. Planning department shall carry out the measures in this year.

ii. Improvement of cost competitiveness. Compromises on costs are not made regardless of the product positioning.

iii. Technological precedence and differentiation. Technologies should be improved in this year. According to the requirements of technological precedence, products should be defined imitatively with the support of planning department.

vi. Improvement of holistic strategy operation capability. Multimedia business department should take full advantage of CPM process and information system to establish the most suitable CMP system to Konka. Comprehensive integration includes the planning, channels, promotion, services, marketing, model machine and price structure. Other businesses are for reference and learning for the complete product operation and management system.

Thirdly, to accelerate operating speed.

The market is expanding to force the acceleration of Shenzhen Konka.

Fourthly, to deepen channel construction. On the one hand, with the development of channel construction, mobile phone and international marketing should be deepened to development customers; channel network of multimedia businesses and white goods business should be clarified. On the other hand, channel meshing distributed by Shenzhen Konka in 2014 should be promoted, especially B2C businesses be implemented. And structure of channel should be clarified with powerful new channels and consolidated traditional channel. All channels could be adjusted according to actual situation. Moreover, channel strategies should be clear to match strategies with products.

Fifthly, to improve cost efficiency. Costs should be strictly controlled. It is the fundamental point in 2015. Cost control is not to reduce costs directly, but to analyze comprehensively, which would lower cost, keep the quality and improve cost efficiency.

Sixthly, to promote the implementation of inventory management and control. With the tool introduced by Shenzhen Konka in 2014 for process change, all measures should be implemented with detailed targets and key times to promote the inventory efficiency and management level of Konka.

3. Consolidating, digesting and continuously promoting the process and informatization reform

Process optimization and informatization reform are two long-term tasks of the Company. The year of 2014 is the first year of large scale initiation by Shenzhen Konka. In this year, Shenzhen Konka is focused on consolidating, digesting and implementing preliminary results in 2014 and functioning all reforms. All works in practical businesses are implemented according to fixed process and system. The system should be optimized depending on actual problems. On the other hand, another task in 2015 is to connect all procedures, eliminate isolation in information system, reduce repeated information entry and improve information utilization and work efficiency.

4. Improve quality and services

In this year, the quality and services should be further strengthened.

Firstly, great efforts are taken for strict treatment of quality problems. Close attentions are paid to product quality with iron hand.

Secondly, it is to fully implement quality management process. Quality management process is revised with latest standards all process should be carried out earnestly.

Thirdly, after-sale services are reinforced, especially to improve cost efficiency, standardize all procedures, strengthen the management, modernize the tools and maintain long-term stability.

5. Promoting project construction of headquarter base

Project of headquarter base represents the image and future of Shenzhen Konka. Shenzhen Konka is to create the project as the new landmark of Shenzhen, which would be the model of technological innovation complex. Therefore, it is to accelerate the work process of joint venture for early delivery and output.

6. Other work

Besides above basic requirements and main missions, Shenzhen Konka should further carry out the activities of safety production, operation control, human resources, financial planning, quality construction, party-masses work and corporate culture, which would provide solid guarantee for the integral development.

X. Explanation by the Board of Directors and the Supervisory Committee about the "non-standard audit report" issued by the CPAs firm for the reporting period

□ Applicable √ Inapplicable

XI. Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year

√ Applicable □ Inapplicable

Changes in the accounting policies due to application of new accounting standards:

At the beginning of 2014, the Ministry of Finance unveiled the <Accounting Standard No. 39 for Business Enterprises—Fair Value Measurement>, the <Accounting Standard No. 30 for Business Enterprises—Financial Statement Presentation (Revised in 2014)>, the <Accounting Standard No. 9 for Business Enterprises—Employees' Compensation (Revised in 2014)>, the <Accounting Standard No. 33 for Business Enterprises—Consolidated Financial Statements (Revised in 2014)>, the <Accounting Standard No. 40 for Business Enterprises—Joint Arrangements>, the <Accounting Standard No. 2 for Business Enterprises—Long-term Equity Investments (Revised in 2014)> and the <Accounting Standard No. 41 for Business Enterprises—Disclosure of Equities in Other Entities> with Decree CK [2014] No. 6, 7, 8, 10, 11, 14 and 16, asking all enterprises adopting the accounting standards to execute these new standards from 1 Jul. 2014 and encouraging overseas listed enterprises to execute them at an earlier date. Meanwhile, the Ministry of Finance also unveiled the <Accounting Standard No. 37 for Business Enterprises—Financial Instrument Presentation (Revised in 2014)> ("the Financial Instrument Presentation Standard" for short) with Decree CK [2014] No. 23, asking enterprises to present their financial instruments in the financial reports for 2014 and the future periods according to this standard.

Except for the Financial Instrument Presentation Standard which wasn't executed until the 2014 Annual Financial Report, we have started to execute the other 7 new or revised accounting standards since 1 Jul. 2014. Relevant adjustments were made according to these new or revised standards. And the influence on the items and amounts in the financial statements for the current and previous periods is as follows:

Accounting standard	Accounting policy changes and their influence on the Company	Influence on financial statement items as at 1 Jan. 2014 or as of Y2013 (RMB Yuan)	
		Item	Influence +/-
<Accounting Standard No. 2 for Business Enterprises—Long-term Equity Investments>	According to the <Accounting Standard No. 2 for Business Enterprises—Long-term Equity Investments (Revised in 2014)> and its application guide	Long-term equity investments	−10, 138, 027. 92
		Available-for-sale financial assets	+10, 953, 000. 00
		Capital reserves	+40, 003, 745. 04
		Retained profits	−32, 552, 764. 33
		Minority interests	−6, 636, 008. 63
		Investment gains	−1, 465, 555. 51
<Accounting Standard No. 30 for Business Enterprises—Financial Statement Presentation>	According to the <Accounting Standard No. 30 for Business Enterprises—Financial Statement Presentation (Revised in 2014)> and its application guide	Foreign-currency statement translation differences	−16, 179, 316. 17
		Other comprehensive incomes	+16, 179, 316. 17
		Deferred incomes	+131, 658, 369. 11
		Other non-current liabilities	−131, 658, 369. 11

XII. Explain retrospective restatement due to correction of significant accounting errors in the reporting period

□ Applicable √ Inapplicable

No such cases in the reporting period.

XIII. Explain change of the consolidation scope as compared with the financial reporting of last year

√ Applicable □ Inapplicable

1. Subsidiary disposal

(1) On 13 Jun. 2014, the Company and OCT Enterprises Co. signed an equity transfer agreement, transferring the Company's 100% stake in Shenzhen Konka Video & Communication Systems Engineering Co., Ltd. to OCT at the price of RMB 247,687,800. On 23 Jun. 2014, the equity ownership transfer was registered with the Market and Quality Supervision Commission of Shenzhen Municipality. The Company has received the transfer payment in full and its control over Shenzhen Konka Video & Communication Systems Engineering Co., Ltd. has ceased. As such, Shenzhen Konka Video & Communication Systems Engineering Co., Ltd. has been deconsolidated

since 1 Jul. 2014.

(2) On 17 Jul. 2014, the Company and Konka Household Appliances Investment (the Company's subsidiary) signed equity transfer agreements with Shaanxi Ruyi Electronic Technology Co., Ltd., transferring their stakes of 45% and 15% in Shaanxi Konka to Ruyi Electronic at the prices of RMB 34,467,885.00 and RMB 11,489,295.00 respectively. Up to 31 Dec. 2014, the equity transfers have been registered with relevant authorities and the Company's control over Shaanxi Konka has ceased. As such, Shaanxi Konka has been deconsolidated since 1 Jan. 2015.

2. Other changes in the consolidation scope

(1) The Company and Shenzhen Konka Investment Partners (Limited Partnership) incorporated Shenzhen Konka E-display Co., Ltd. on 3 Jun. 2014, with a registered capital of RMB 12 million, of which the Company contributed RMB 7.2 million, representing 60% of the registered capital. The Company has control over Konka E-display, which has thus been consolidated since 3 Jun. 2014.

(2) Dongguan Konka (the Company's subsidiary), Guo Bing, Cheng Zuben and Dong Ying jointly incorporated Xiamen Dalong Trading Co., Ltd. on 5 Aug. 2014 with a registered capital of RMB 2.6 million, of which Dongguan Konka contributed RMB 1.8 million, representing 69.23% of the registered capital. The Company has control over Xiamen Dalong Trading, which has thus been consolidated since 5 Aug. 2014.

(3) Konka Optoelectronic (the Company's subsidiary) and Charm Communications Inc. jointly incorporated Tianjin Youshi Kangrong Cultural Communication Co., Ltd. on 26 Nov. 2014 with a registered capital of RMB 70 million, of which Konka Optoelectronic contributed RMB 49 million, representing 70% of the registered capital. The Company has control over Tianjin Youshi Kangrong Cultural Communication, which has thus been consolidated since 26 Nov. 2014.

XIV. Profit allocation and dividend distribution

Formulation, execution or adjustment of the Company's profit distribution policy during the reporting period

√ Applicable □ Inapplicable

The cash dividend policy of the Company is clearly stated in its Articles of Association, with explicit dividend standards and ratios, as well as sound decision-making procedures and mechanisms. Independent directors have faithfully performed their duties and performed their function well by giving minority shareholders opportunities to express their opinion and demands and effectively safeguarding their lawful interests. The Company has strictly executed the cash dividend policy in the Articles of Association, and cash dividend distribution of the Company is in line with the Articles of Association and relevant resolutions of the Shareholders' General Meeting.

According to the spirit of the CSRC Notice on Further Implementing Matters Related to Cash Dividend Distribution of Listed Companies (Zheng-Jian-Fa [2012] No. 37) and the CSRC Shenzhen Bureau Notice on Seriously Implementing the CSRC Notice on Further Implementing Matters

Related to Cash Dividend Distribution of Listed Companies (Shen-Zheng-Ju-Gong-Si-Zi [2012] No. 43), taking into account its actual situation, the Company communicated with independent directors and some floating share holders on the topic of the planning for returns for shareholders and carried out special discussions in terms of the arrangements for returns for shareholders, profit distribution, especially how to improve the decision-making procedure and mechanism for matters in relation to cash dividends. Meanwhile, it listened to minority shareholders' opinions and requirements via hotlines, fax, email, the Company's website, etc. so as to decide a proper decision-making procedure for matters in relation to cash dividends that was in line with the Company's future development. And a reasoning report was formed. According to the Reasoning Report on Matters in Relation to Returns for Shareholders, the Company revised its Articles of Association and formulated the Return for Shareholder Planning for the Coming Three Years (2012-2014) according to the profit distribution plan and its plans for the coming three years. Meanwhile, as required by the said Notice, the Company convened a board session and a general meeting, at which the Reasoning Report on Matters in Relation to Returns for Shareholders, the Return for Shareholder Planning for the Coming Three Years (2012-2014) and the Proposal on Revising the Articles of Association was reviewed and approved. In order to further listen to the opinions of minority shareholders, the voting on the Return for Shareholder Planning for the Coming Three Years (2012-2014) adopted both on-site voting and online voting to protect legal rights and interests of minority shareholders.

According to the requirements of the Listed Company Supervision Guidelines No. 3--Listed Company Cash Dividends issued by CSRC, and as reviewed and approved at the 55th Session of the 7th Board of Directors and the 2013 Annual Shareholders' General Meeting, the Company decided to revise the profit distribution policy stipulated by the Articles of Association, further clarifying the priority and proportion of cash dividends in profit distribution.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and the resolution of the general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role.	Yes
Minority shareholders had the chance to fully express their opinion and desire and their legal rights and interests were fully protected.	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with regulations and transparent.	Yes

Pre-plan or plan for profit distribution and turning capital reserve into share capital in recent 3 years (including the reporting period)

1. In 2014, the net profit attributable to owners of the Company was RMB 52,623,527.86 as audited and the retained profit was RMB 746,022,758.89. Based on the actual status and the requirement for long-term development of the Company, the Board of Directors proposed the annual profit distribution plan 2014 as follows:

Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2014, the Company was proposed to distribute a cash dividend of RMB 0.1 (tax included) to every 10 shares.

The distributed profits would aggregate RMB 12,039,727.04 and the retained profit would be carried forward into the next year for distribution.

2. The Company's profit allocation plan for 2013:

Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2013, the Company distributed a cash dividend of RMB 0.1 (tax included) to every 10 shares. The distributed profits aggregated RMB 12,039,727.04 and the retained profit was carried forward into the next year for distribution.

3. The Company's profit allocation plan for 2012:

Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2012, the Company distributed a cash dividend of RMB 0.1 (tax included) to every 10 shares. The distributed profits aggregated RMB 12,039,727.04 and the retained profit was carried forward into the next year for distribution.

Cash dividends in the recent three years

Unit: RMB Yuan

Year	Cash dividends (tax included)	Net profit attributable to shareholders of the listed company in the consolidated statement in the year	Ratio to net profit attributable to shareholders of the listed company in the consolidated statement in the year	Cash offering to buy back shares recorded as cash dividends	Ratio of cash offering to buy back shares to cash dividends
2014	12, 039, 727. 04	52, 623, 527. 86	22. 88%	0. 00	0. 00%
2013	12, 039, 727. 04	45, 820, 496. 73	26. 28%	0. 00	0. 00%
2012	12, 039, 727. 04	50, 342, 194. 51	23. 92%	0. 00	0. 00%

The Company (including its subsidiaries) made profit in the reporting period and the retained profit of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution:

□ Applicable √ Inapplicable

XV. Preplan for profit distribution and turning capital reserve into share capital in the reporting period

√ Applicable □ Inapplicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	0.10
Increased shares for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	1,203,972,704
Total cash dividends (RMB Yuan) (tax included)	12,039,727.04
Distributable profit (RMB Yuan)	499,655,859.67
Percentage of the cash dividends in the total	100.00%

distributed profit (%)	
Cash dividend policy:	
Other	
Details about the pre-plan for profit allocation and turning capital reserve into share capital	
Profit allocation pre-plan for 2014: Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2014, the Company intended to distribute a cash dividend of RMB 0.1 (tax included) to every 10 shares. The distributed profits would aggregate RMB 12,039,727.04 and the retained profit would be carried forward into the next year for distribution. No capital reserves would be turned into share capital for 2014. This pre-plan still awaits the approval of the 2014 Annual Shareholders' General Meeting before execution.	

XVI. Social responsibilities

√ Applicable □ Inapplicable

The Company insists the principle of health, stability and sustainable development to benefit shareholders and employees and satisfy customers. In pursuit of economic profits and protection of shareholders' profits, the Company is active in protecting legal rights of debtors and employees, treating suppliers, customers and consumers in good faith, and participating in environmental protection and community establishment for harmonious development of the Company and society.

(I) To protect rights of shareholders and creditors

1. The Company protects rights of shareholders

(1) The Company insists protection of rights for all shareholders, especially equal status and legal rights for medium and small shareholders, and make insurance of rights to be informed, participation and vote.

(2) The Company would perform all obligations of information disclosure to ensure timely, accurate and complete information and strictly execute confidential system of registrar and insider information to guarantee justice.

(3) The Company pays attention to repay to shareholders, and insists mutual development with investors. In the previous three years, the Company shares dividends with all shareholders. The Company strict executes dividend policies regulated in Articles of Association. All cash dividends comply with regulations in Articles of Association and requirements in shareholders' conference.

2. The Company protects rights of creditors

In full consideration of legal rights of creditors, the Company complies with strict business rules of credit cooperation to guarantee legal rights of creditors. No damages upon rights of creditors happened.

(II) The Company performs responsibilities to suppliers and customers

1. It is devoted to improve customer service quality.

The Company is insisting philosophy of customer orientation to strengthen customer service management, service consciousness for employees, service levels and to protect rights for customers. Through customer service hot-line, field visit and follow-up service, the Company has set a good corporate image for customers.

2. Be honest to suppliers

Following the principle of integrity and mutually beneficial cooperation, the Company keeps good cooperative relations with suppliers at each level. The corporate principle is open, fair and impartial to standardize procurement, protect suppliers' legal rights and lay solid foundation for further cooperation.

(III) Be enthusiastic to social and public welfare undertakings

Based on the principle of appreciating and repaying the society, the Company has participated in all kinds of activities for public welfare, cooperated with society, undertaken social responsibilities actively and promoted harmonious development between enterprise and society.

(IV) Be responsible for employees

The Company insists the principle of people orientation to improve working environment, promote occupational skills, provide opportunity and platform for development and growth and encourage self upgradation and realization for employees. Mutual improvement for employees and enterprise could be achieved.

1. Be honest and law-abiding to protect legal rights for employees

The Company would strictly comply with laws and regulations in *Labor Law* and *Labor Contract Law* to sign labor contract with employees with fair treatment in employment, payment, promotion, training, demission and retirement. Also, the Company would pay all kinds of insurances and housing fund for employees. Regular physical examination would be organized for each year. Any problems found would require re-examination and consultation from a doctor.

The Company would improve living quality; enhance cohesive force and sense of belongings through a series of safeguard measures.

2. To protect occupational health for employees

The Company would establish and perfect training, safety assessment by security system to guarantee the safety and occupational health for employees. On the other hand, by promotion of the importance of safety, safety awareness would be rooted in the heart to make all employees abide by safety standards and fully play subjective initiative in protecting self occupational safety and production safety.

3. To promote occupational skills by diversified professional training

The Company has always paid great attention on diversified training for employees. On the one hand, the Company would be meticulous in training of regular business and occupational skills and carry out all requirements positively to improve professional levels by normal training management. On the other hand, the Company would establish methods of self training platform, training instructor, theme training and lectures to provide colorful training activities. Besides the work, professional and comprehensive quality would be fully promoted.

(V) Be responsible for environment

The Company concerns about environmental changes and close relationships with environment by creating low carbon economy in technical innovation, from green manufacturing, green products to green industry circular economy. The Company would provide efforts in protecting global ecological environment. In June, 2012, subsidized products catalogue had been released jointly by National Development and Reform Commission, Ministry of Industry and Information and Ministry of Finance.

In the new year, the Company would undertake all social responsibilities by improving strategic management, sustainable development and enterprise economic efficiency. It would retribute all shareholders and protects legal rights for creditors and employees. To be honest to suppliers and customers, the Company would serve local economic development and participate in social public welfare activities and environment protection. It would undertake all responsibilities in many fields and make attributions to social, economic, and environmental sustainable development for a socialism harmonious society.

Does the listed company or its subsidiaries belong to the heavily polluting industries stipulated by the environmental protection authorities of the country?

□ Yes √ No □ Inapplicable

Does the listed company or its subsidiaries have any other significant social security problems?

□ Yes √ No □ Inapplicable

Any administrative punishment during the reporting period?

√ Yes □ No □ Inapplicable

XVII. Researches, visits and interviews received in the reporting period

□ Applicable √ Inapplicable

No such cases in the reporting period.

Section V. Significant Events

I. Significant litigations and arbitrations

√ Applicable □ Inapplicable

Basic information of the lawsuit (arbitration)	Amount involved in the lawsuit (arbitration) (RMB Ten thousand)	Forming the estimated liabilities or not?	Progress of the lawsuit (arbitration)	Trial result and influence of the lawsuit (arbitration)	Enforcement on the judgment of the lawsuit (arbitration)	Disclosure date	Disclosure index
Arbitration events of "Whether Konka Group has the right to be the unique development subject of the city renewal project"	Inapplicable	No	For the newest progress, please refer to the Announcement on Significant Arbitration disclosed on 2 Aug. 2014.	For the arbitration results, please refer to the announcement	Executed	2 Aug. 2014	Announcement on the Results of Significant Arbitration, with the announcement No.: 2014-39, and the disclosing website: www.cninfo. com

II. Media's doubts

□ Applicable √ Inapplicable

No such cases in the reporting period.

III. Occupation of the Company's capital by the controlling shareholder or its related parties for non-operating purposes

□ Applicable √ Inapplicable

No such cases in the reporting period.

IV. Bankruptcy and reorganization

□ Applicable √ Inapplicable

No such cases in the reporting period.

V. Asset transactions

1. Acquisition of assets

□ Applicable √ Inapplicable

No such cases in the reporting period.

2. Sale of assets

√ Applicable □ Inapplicable

Transaction counterparty	Asset sold	Disposal date	Transaction price (RMB 0'000)	Net profit contributed to the Company from the period-begin to the disposal date (RMB 0'000)	Gains and losses arising from the sales of assets (RMB 0'000)	Ratio of the net profit contributed by the asset to the Company to the total profit (%))	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company (applicable for related-party transactions)	Whether or not the ownership of the asset involved has been fully transferred	Whether or not the creditor's right and liabilities involved have been fully transferred	Disclosure date	Disclosure index
OTC Enterprises Co.	100% equities of Shenzhen Konka Video & Com	23 Jun. 2014	24,768.78	21.37	The sale of the equity interests in this subsidiary was to	325.24%	Settled at the evaluated price	Yes	The transaction party was the controlling shareholder	Yes	Yes	24 May 2014	http://www.cninfo.com.cn/information/companyinfo.html

	munication Systems Engineering Co.				dispose idle assets and generate funds inflows to increase the liquidity of funds and improve the Company’s general performance.				of the Company				

3. Business combination

□ Applicable √ Inapplicable

No such cases in the reporting period.

VI. Particulars about the implementation of equity incentive of the Company and its influence

□ Applicable √ Inapplicable

No such cases in the reporting period.

VII. Significant related-party transactions

1. Related-party transactions relevant to routine operation

√ Applicable □ Inapplicable

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount (RMB Ten thousand)	Proportion in same kind of transaction	Settlement method of the related-party transaction	Similar Transaction market price receivable	Disclosure date	Disclosure index

		n					ns (%)				
Anhui Huali Packing Co., Ltd.	Subsidiaries controlled by the principal shareholder	Purchasing materials from the related party	Purchasing the packaging materials for color TVs	Agreed price	Market price	3041.42		In cash	Inapplicable	4 Apr. 2014	http://www.cninfo.com.cn/information/companyinfo.html
OCT Water & Electricity Company		Purchasing materials from the related party	Purchasing water & electricity	Agreed price	Market price	815.16		In cash	Inapplicable		
Huali Packing (Huizhou) Co., Ltd.		Purchasing materials from the related party	Purchasing the packaging materials for color TVs	Agreed price	Market price	1149.92		In cash	Inapplicable		
Shanghai Huali Packing Co., Ltd.		Purchasing materials from the related party	Purchasing the packaging materials for color TVs	Agreed price	Market price	1364.55		In cash	Inapplicable		

Shenzhen Konka Video & Communication Systems Engineering Co.		Purchasing materials from the related party	Purchasing raw materials	Agreed price	Market price	56.68		In cash	Inapplicable		
Shenzhen Konka Video & Communication Systems Engineering Co.		Providing labor services to the related party	Maintenance service	Agreed price	Market price	165.38		In cash	Inapplicable		
Chengdu Tianfu OCT Industrial Development Co., Ltd		Selling products to the related party	Selling LCD to the related party	Agreed price	Market price	1.97		In cash	Inapplicable		
Taizhou OCT Co., Ltd		Selling products to the related party	Selling LCD to the related party	Agreed price	Market price	3.50		In cash	Inapplicable		
Total				-	-	6,598.58	-	-	-	-	-
Details of large amount of sales returns				Inapplicable							
Necessity and continuity of related-party transaction as well as reason of choosing the related party (but not other transaction parties) to conduct the said				Related transactions of the Company with the above related parties occurred in daily operation of the Company, which were necessary. The Company would continue the cooperation of fairness and mutual benefits with them, given the operation and development of the Company was stable. The aforesaid related transactions were							

transaction	beneficial for maintaining the long-term cooperation between the Company and related parties.
Impacts of related-party transaction on independency of the Company	The related-party transactions did not affect the independence of the Company, and main business of the Company would not rely on the related parties due to the related-party transactions above.
Dependant degree of the Company on related party and relevant solutions for the dependence (if any)	Inapplicable
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 expected total amount for 2014 was RMB 98 million, and the actual amount was RMB 65.9858 million.
Reason for significant difference between the transaction price and the market price	The transaction price was fixed by referring to the market price, which hadn't any significant difference with the market price.

2. Related-party transactions regarding purchase and sales of assets

√ Applicable □ Inapplicable

Related party	Relation	Type of related -party transaction	Contents	Pricing principle	Book value of the transferred asset (RMB 0,000)	Evaluated value of the transferred asset (RMB 0,000)	Market fair value (RMB 0,000)	Transfer price (RMB 0,000)	Settlement mode	Gain/Loss (RMB 0,000)	Disclosure date	Disclosure index
OCT Enterprises Co.	Controlling shareholder of the Company	Sale of assets to the related party	Transferring 100% equities of Shenzhen Konka Video & Communication Systems	Assessment price	-1,464.31	24,768.78	24,768.78	24,768.78	In cash	26,233.09	24 May 2014	http://www.cninfo.com.cn/information/companyinfo.html

			Engineering Co., Ltd. held by the Company									
Reason for great discrepancy between transfer price and book value or estimated value (if any)				The book value of the 100% equity interests (after stripping off some assets and liabilities) of Shenzhen Konka Video & Communication Systems Engineering Co., Ltd. stood at RMB -14.6431 million, the assessed value at RMB 247.6878 million and the transfer price agreed by both parties at RMB 247.6878 million. The increment in the assessed price was mainly due to the housing properties owned by the enterprise: 6 houses in Unit 5, Pangu Plaza, North Fourth Ring Central Road, Chaoyang District, Beijing with a total area of 4,029.30 square meters. But the possible influence of relevant taxes and fares on those properties when they went into trading on the market was not included in the assessed price.								
Information about influence on corporation business performance and financial situation				The sale of the equity interests in this subsidiary was to dispose idle assets and generate funds inflows to increase the liquidity of funds and improve the Company's general performance. The assessed price of the 100% equity interests (after stripping off some assets and liabilities) of Shenzhen Konka Video & Communication Systems Engineering Co., Ltd. stood at RMB 247.6878 million. As at 30 Apr. 2014, the book value of the 100% equity interests (after stripping off some assets and liabilities) of this subsidiary stood at RMB -14.6431 million. According to the assessed price, that is, the transaction price, this equity transfer generated a premium of RMB 262.3309 million, which would help the Company increase cash inflows and improve its financial situation.								

3. Significant related-party transactions concerning joint investment in external parties

√ Applicable □ Inapplicable

Joint investor	Relationship	Pricing principle	Name of investee	Main business of investee	Registered capital of investee	Total assets of investee (RMB 0'000)	Net assets of investee (RMB 0'000)	Net profit of investee (RMB 0'000)
OCT Enterprises Co. and the Company	OCT is the controlling shareholder of the Company.	Both contributed in cash. The Company contributed RMB 700 million, representin	Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd.	Investment, development and operation of the real estate projects in the plant area of the	RMB 1 billion	Registered capital at RMB 1 billion	Inapplicable	Inapplicable

		g a stake of 70%; and OCT contributed RMB 300 million, representin g a stake of 30%.		Konka Headquarte rs				
Progress of any significant construction in process of the investee (if any)		Inapplicable						

4. Credits and liabilities with related parties

√ Applicable □ Inapplicable

Was there any non-operating credit or liability with any related party?

□ Yes √ No

No such cases in the reporting period.

5. Other related-party transactions

√ Applicable □ Inapplicable

On the 55th meeting of the 7th Board of Directors on 2 Apr. 2014 (Wednesday), Board of Directors deliberated and approved the Bill about Applying Borrowed Funds Limits to Overseas Chinese Town Holdings Company to satisfy the requirements of financing development and reduce cost of capital. The meeting agreed the application of no more than RMB 3,000,000,000 for borrowed funds limits from Overseas Chinese Town Holdings Company in 2014 and no more than RMB 1,500,000,000 at any point in time. Borrowed funds rate should not exceed the loan rate of financial institution of the corresponding period. Interest amount of above borrowed funds limits at this year should not exceed RMB 90,000,000.

Relevant index for the website disclosing the interim announcement on related-party transactions

Name of the interim announcement	Disclosure date of the interim announcement	Name of the website disclosing the interim announcement
Announcement on Related-party Transaction	4 Apr. 2014	http://www.cninfo.com.cn/

VIII. Significant contracts and execution

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

□ Applicable √ Inapplicable

No such cases in the reporting period.

(2) Contract

□ Applicable √ Inapplicable

No such cases in the reporting period.

(3) Lease

□ Applicable √ Inapplicable

No such cases in the reporting period.

2. Guarantees provided by the Company

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand Yuan

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement on the guarantee amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631		308.69	Joint liability guaranty	6 months	No	No
Kunshan Jielunte Mould Plastic Co., Ltd.		23,155		713.17	Joint liability guaranty	1 year	No	No
Total external guarantee line approved during the reporting period (A1)		0		Total actual occurred amount of external guarantee during the reporting period (A2)		1,021.86		
Total external guarantee line that has been approved at the end of the reporting period (A3)		27,786		Total actual external guarantee balance at the end of the reporting period (A4)		1,021.86		
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement on the	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

	guarantee amount							party or not
Anhui Household Appliances		2,750	18 Sept. 2013	2,750.00	General guarantee	3 years	No	No
Hong Kong Konka	30 Sept. 2013	307,500	14 Mar. 2013	28,759.30	General guarantee	2 years	No	No
Hong Kong Konka			25 Mar. 2013	8,627.79	General guarantee	2 years	No	No
Hong Kong Konka			17 Mar. 2014	5,772.57	General guarantee	1 year	No	No
Hong Kong Konka			8 Oct. 2014	29,891.32	General guarantee	Half year	No	No
Konka Household Appliances International Trading			6 Mar. 2014	2,753.55	General guarantee	1 year	No	No
Konka Household Appliances International Trading			31 Jul. 2014	8,872.55	General guarantee	1 year	No	No
Hong Kong Konka			30 Jun. 2014	5,507.10	General guarantee	1 year	No	No
Hong Kong Konka			7 Jul. 2014	18,357.00	General guarantee	1 year	No	No
Hong Kong Konka			10 Oct. 2014	6,119.00	General guarantee	1 year	No	No
Hong Kong Konka			12 Nov. 2014	7,434.59	General guarantee	1 year	No	No
Hong Kong Konka			17 Nov. 2014	18,357.00	General guarantee	1 year	No	No
Hong Kong Konka			20 Nov. 2014	27,535.50	General guarantee	1 year	No	No
Hong Kong Konka			15 Jan. 2014	29,677.15	General guarantee	2 years	No	No
Hong Kong Konka			28 Jul. 2014	40,997.30	General guarantee	2 years	No	No

Hong Kong Konka			17 Sept. 2014	18,338.64	General guarantee	2 years	No	No
Telecommunication Network	21 Nov. 2014	60,000	8 Dec. 2014	41, 564. 00	General guarantee	3 years	No	No
Anhui Tongchuang	21 Nov. 2014	30,000	8 Dec. 2014	4, 100. 00	General guarantee	3 years	No	No
Konka Household Appliances	21 Nov. 2014	6,000	8 Dec. 2014	475. 00	General guarantee	3 years	No	No
Anhui Konka	21 Nov. 2014	20,000	8 Dec. 2014	7, 762. 00	General guarantee	3 years	No	No
Kunshan Konka	21 Nov. 2014	30,000	8 Dec. 2014	10, 240. 00	General guarantee	3 years	No	No
Total guarantee line approved for the subsidiaries during the reporting period (B1)		166,800		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		283, 754. 27		
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		477,050		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		323, 891. 36		
Total guarantee amount provided by the Company (total of the above-mentioned two kinds of guarantees)								
Total guarantee line approved during the reporting period (A1+B1)		166,800		Total actual occurred amount of guarantee during the reporting period (A2+B2)		284, 776. 13		
Total guarantee line that has been approved at the end of the reporting period (A3+B3)		504,836		Total actual guarantee balance at the end of the reporting period (A4+B4)		324, 913. 22		
Proportion of total guarantee amount (A4+B4) to the net assets of the Company				79.18%				
Of which:								
Amount of guarantee for shareholders, actual controller and related parties (C)				0				
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (D)				324, 913. 22				

Part of the amount of the total guarantee over 50% of net assets (E)	119, 739. 27
Total amount of the above three guarantees (C+D+E)	444, 652. 49
Explanation on the possibility of fulfilling the joint responsibility of repayment due to immature guarantees (if any)	Inapplicable
Explanation on provision of guarantees for external parties in violation of the prescribed procedure (if any)	Inapplicable

Details about guarantees provided in a compound way

No such cases in the reporting period.

2. Particulars about illegal external guarantees

□ Applicable √ Inapplicable

No such cases in the reporting period.

3. Other significant contracts

□ Applicable √ Inapplicable

No such cases in the reporting period.

4. Other significant transactions

□ Applicable √ Inapplicable

No such cases in the reporting period.

IX. Performance of commitments

1. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period

□ Applicable √ Inapplicable

No such cases in the reporting period.

2. If the Company's assets or projects existing earnings prediction, and the reporting period is among the prediction period, it shall explain on whether the assets or projects reach the original earnings prediction and relevant reason

□ Applicable √ Inapplicable

X. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

Name of domestic CPAs firm	Ruihua Certified Public Accountants
Remuneration of domestic CPAs firm (RMB Ten Thousand Yuan)	100
Consecutive years of the audit services provided	2 years

by domestic CPAs firm	
Name of the certified public accountants from the domestic CPAs firm	Liu Jianhua, Tang Qimei
Name of overseas CPAs firm (if any)	Inapplicable
Remuneration of overseas CPAs firm (RMB Ten Thousand Yuan) (if any)	0
Consecutive years of the audit services provided by overseas CPAs firm (if any)	Inapplicable
Name of the certified public accountants from the overseas CPAs firm (if any)	Inapplicable

Change the CPAs firm at current period or not?

□ Yes √ No

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

√ Applicable □ Inapplicable

During the reporting period, as approved by the Shareholders' General Meeting, the Company continued to engage Ruihua Certified Public Accountants as the audit firm on internal control of the Company for 2014, with the auditing fee for the internal control in 2014 as RMB 400,000.

XI. Explanation of the Supervisory Committee and Independent Directors (if applicable) on the "Non-standard Auditor's Report" issued by the CPAs firm during the reporting period

□ Applicable √ Inapplicable

XII. Punishment and rectification

□ Applicable √ Inapplicable

No such cases in the reporting period.

XIII. Particulars about trading suspension and termination faced after the disclosure of annual report

□ Applicable √ Inapplicable

XIV. Explanation on other significant events

√ Applicable □ Inapplicable

(I) Progress of the urban renewal project in the plant area of the Company's headquarters

In order to push forward the urban renewal of the plant area of the Konka Group Headquarters and fully safeguard the interests of the Company and its investors, as reviewed and approved at the 67th Session of the 7th Board of Directors and the Second Special General Meeting for 2014, the Company and OCT Enterprises Co. were to jointly incorporate an enterprise to work on the renewal project of the plant area of the Konka Group Headquarters. OCT would hold a stake of 30% in the joint venture while the Company would hold 70%. Up to the disclosure date of this report, the joint venture has been established and is going through relevant formalities.

(II) Progress of the Company's Kunshan Zhouzhuang Project

After the approval by the 42nd meeting of the 6th Board of Directors, the Company obtained the land use rights of the land in the south of Quanwang Road, Zhouzhuang County, Kunshan. The project covers an area of 366,575.8 m^2 for tourism facilities and commercial housing.

The Company is planned to develop the land by stages and determine the annual development plans according to market condition. From March, 2013, the first-phrase residential project has been started for construction and some houses were delivered in 2014. It generated some sales income and produced profits in 2014. Meanwhile, the second-phrase residential project started in 2014.

(II) Index for significant information disclosed

Announcement No.	Date	Title	Page on newspaper	Link on http://www.cninfo.com.cn
2014-01	2014-1-3	Announcement of Resolutions of the 50th Session of the 7th Board of Directors	Securities Times B52, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2014-01-03/63442676.PDF
2014-02	2014-1-11	Announcement on the Resignation of Vice President	Securities Times B1, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2014-01-11/63473432.PDF
2014-03	2014-3-1	Announcement of solutions of the 53rd Session of the 7th Board of Directors	Securities Times B25, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2014-03-01/63620067.PDF
2014-04	2014-3-1	Announcement on Significant Arbitration	Securities Times B25, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2014-03-01/63620918.PDF
2014-05	2014-3-7	Announcement of solutions of the 54th Session of the 7th Board of Directors	Securities Times B16, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2014-03-07/63645662.PDF
2014-06	2014-3-7	Announcement on the Progress of the Declaration of the Urban Renewal Plan Project	Securities Times B16, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2014-03-07/63645661.PDF
2014-07	2014-3-27	Announcement on Receipt of Tax Rebates	Securities Times B44, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2014-03-27/63730510.PDF
2014-08	2014-4-4	Announcement of solutions of the 11th Session of the 7th	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788608.PDF

		Board of Supervisors		
2014-09	2014-4-4	Announcement on Authorizing the Management Level of the Company to Sell the Shares of the Participated Company by Choosing the Time	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788621.PDF
2014-10	2014-4-4	Announcement on Related Party Transaction	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788626.PDF
2014-11	2014-4-4	Forecasting Public Notice on Routine Related Transaction for Y2014	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788553.PDF
2014-12	2014-4-4	Abstract of the Annual Report for Y2013	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788554.PDF
2014-13	2014-4-4	Annual Report for Y2013	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788613.PDF
2014-14	2014-4-4	Notice on Holding the 2013 Annual General Meeting	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788592.PDF
2014-15	2014-4-4	Announcement on the 55th Session of the 7th Board of Directors	Securities Times B60, Ta Kung Pao B16	http://www.cninfo.com.cn/finalpage/2014-04-04/63788591.PDF
2014-16	2014-4-9	Announcement on the Progress of Significant Arbitration Events	Securities Times B12, Ta Kung Pao A21	http://www.cninfo.com.cn/finalpage/2014-04-09/63805353.PDF
2014-17	2014-4-15	Text of 2014 First Quarter Report	Securities Times B76, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-04-15/63837774.PDF
2014-18	2014-4-15	Text of 2014 First Quarter Report	Securities Times B76, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-04-15/63837778.PDF
2014-19	2014-4-16	Announcement on the Changes in the Dicastery of Significant Arbitration Events	Securities Times B37, Ta Kung Pao B14	http://www.cninfo.com.cn/finalpage/2014-04-16/63844382.PDF
2014-20	2014-4-22	Announcement on the Second Session of Trial of Significant	Securities Times B29, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2014-04-22/63884605.PDF

		Arbitration Events		
2014-21	2014-4-26	Announcement on Solutions of the 2013 Annual General Meeting	Securities Times B20, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2014-04-26/63924031.PDF
2014-22	2014-5-6	Announcement on the Third Session of Trial of Significant Arbitration Events	Securities Times B32, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2014-05-06/63970668.PDF
2014-23	2014-5-22	Announcement on the Implementation of the 2013 Annual Dividend Plan	Securities Times B33, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2014-05-22/64052436.PDF
2014-24	2014-5-24	Announcement on the 57th Session of the 7th Board of Directors	Securities Times B40, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-05-24/64059687.PDF
2014-25	2014-5-24	Announcement on Purchasing Principal-guaranteed Bank financial products	Securities Times B40, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-05-24/64059682.PDF
2014-26	2014-5-24	Notice on Holding the 2014 First Extraordinary General Meeting	Securities Times B40, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-05-24/64059681.PDF
2014-27	2014-5-24	Announcement on Using the Financial Instruments for Locking the USD Financing Cost	Securities Times B40, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-05-24/64059684.PDF
2014-28	2014-5-24	Announcement on Transferring 100% Equities of Shenzhen Konka Video & Communication Systems Engineering Co. (After Stripping off Partly Asset Liabilities) and the Related-transactions	Securities Times B40, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-05-24/64059683.PDF
2014-29	2014-5-27	Announcement on the Resignation of the CFO	Securities Times B25, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2014-05-27/64067762.PDF
2014-3	2014-5-28	Announcement on the Solutions of the 58th	Securities Times B28, Ta Kung Pao	http://www.cninfo.com.cn/finalpage/2014-05-28/64072795.P

0		Session of the 7th Board of Directors	B16	DF
2014-31	2014-5-30	Indicative Announcement on Holding the 2014 First Extraordinary General Meeting	Securities Times B61, Ta Kung Pao B21	http://www.cninfo.com.cn/finalpage/2014-05-30/64081579.PDF
2014-32	2014-6-10	Announcement on the Solutions of the 2014 First Extraordinary General Meeting	Securities Times B61, Ta Kung Pao A19	http://www.cninfo.com.cn/finalpage/2014-06-10/64119389.PDF
2014-33	2014-6-12	Announcement on the Fourth Session of Trial of Significant Arbitration Events	Securities Times B41, Ta Kung Pao B21	http://www.cninfo.com.cn/finalpage/2014-06-12/64127660.PDF
2014-34	2014-6-26	Announcement on the Progress of Transferring 100% Equities of Shenzhen Konka Video & Communication Systems Engineering Co.	Securities Times B53, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2014-06-26/1200006958.PDF
2014-35	2014-7-2	Announcement about Postponed Decision on Significant Arbitration	Securities Times B32, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2014-07-02/1200023529.PDF
2014-36	2014-7-24	Indicative Announcement on Shareholding Increase by Controlling Shareholder	Securities Times B24, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-07-24/1200073639.PDF
	2014-7-26	Detailed Report on Equity Changes	Securities Times B28, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2014-07-26/1200078988.PDF
	2014-7-26	Financial Consultant Review Opinion about Detailed Report on Equity Changes	Securities Times B28, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2014-07-26/1200078987.PDF
2014-37	2014-7-30	Announcement about Receipt of Tax Rebates	Securities Times B24, Ta Kung Pao B6	http://www.cninfo.com.cn/finalpage/2014-07-30/1200086286.PDF
2014-38	2014-8-1	Announcement on Share Trading	Securities Times B33, Ta Kung Pao	http://www.cninfo.com.cn/finalpage/2014-08-01/1200093073.PDF

		Suspension	B5	
2014-39	2014-8-2	Announcement about Decision of Significant Arbitration	Securities Times B24, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2014-08-02/1200095744.PDF
2014-40	2014-8-6	Announcement about Holding Online Communication Meeting with Investors	Securities Times B32, Ta Kung Pao A22	http://www.cninfo.com.cn/finalpage/2014-08-06/1200100436.PDF
2014-41	2014-8-28	Abstract of 2014 Semi-annual Report	Securities Times B40, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2014-08-28/1200176882.PDF
2014-42	2014-8-28	2014 Semi-annual Report		http://www.cninfo.com.cn/finalpage/2014-08-28/1200176886.PDF
2014-43	2014-8-29	Announcement about Receipt of Tax Rebates	Securities Times B24, Ta Kung Pao B23	http://www.cninfo.com.cn/finalpage/2014-08-29/1200184240.PDF
2014-44	2014-9-30	Announcement about Resolutions Made at the 63rd Session of the 7th Board of Directors	Securities Times B, Ta Kung Pao A45	http://www.cninfo.com.cn/finalpage/2014-09-30/1200273838.PDF
2014-45	2014-9-30	Announcement about Receiving <Letter about the Urban Renewal Project Regarding Jointly Developing the Konka Headquarters> from OCT	Securities Times B64, Ta Kung Pao A45	http://www.cninfo.com.cn/finalpage/2014-09-30/1200273836.PDF
2014-46	2014-10-28	Abstract of the Report for the 3rd Quarter of 2014	Securities Times B113, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2014-10-28/1200340025.PDF
2014-47	2014-10-28	Report for the 3rd Quarter of 2014		http://www.cninfo.com.cn/finalpage/2014-10-28/1200340029.PDF
2014-48	2014-10-28	Announcement about Resolutions Made at the e 64th Session of the 7th Board of Directors	Securities Times B113, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2014-10-28/1200340027.PDF
2014-49	2014-10-28	Announcement about Financial Instrument	Securities Times B113, Ta Kung Pao	http://www.cninfo.com.cn/finalpage/2014-10-28/1200340031.PDF

		Portfolio Business	B7	
2014-50	2014-11-21	Announcement about Resolutions Made at the 67th Session of the 7th Board of Directors	Securities Times B33, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-11-21/1200406347.PDF
2014-51	2014-11-21	Announcement about Guarantees Provided for External Parties	Securities Times B33, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-11-21/1200406345.PDF
2014-52	2014-11-21	Announcement about Incorporation of Joint Venture to Develop the Konka Headquarters Plant Area Project & Related-party Transaction	Securities Times B33, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-11-21/1200406344.PDF
2014-53	2014-11-21	Notice of the Second Special General Meeting for 2014	Securities Times B33, Ta Kung Pao B12, B13	http://www.cninfo.com.cn/finalpage/2014-11-21/1200406343.PDF
2014-54	2014-11-21	Announcement on Resignation of Director and Board Chairman	Securities Times B33, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2014-11-21/1200406342.PDF
2014-55	2014-11-21	Announcement about Holding Online Communication Meeting with Investors	Securities Times B33, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2014-11-21/1200406341.PDF
2014-56	2014-12-1	Indicative Announcement about the Second Special General Meeting for 2014	Securities Times B8, Ta Kung Pao A15	http://www.cninfo.com.cn/finalpage/2014-12-01/1200424714.PDF
2014-57	2014-12-1	Announcement about Receipt of Tax Rebates	Securities Times B8, Ta Kung Pao A15	http://www.cninfo.com.cn/finalpage/2014-12-01/1200424715.PDF
2014-58	2014-12-9	Announcement about Resolutions Made at the Second Special General Meeting for 2014	Securities Times B49, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2014-12-09/1200450721.PDF

2014-59	2014-12-9	Announcement about Resolutions Made at the 68th Session of the 7th Board of Directors	Securities Times B49, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2014-12-09/1200450723.PDF

XV. Significant events of the subsidiaries of the Company

√ Applicable □ Inapplicable

Announcement No.	Date	Title	Page on newspaper	Link on http://www.cninfo.com.cn
2014-28	2014-5-24	Announcement on Transferring 100% Equities of Shenzhen Konka Video & Communication Systems Engineering Co. (After Stripping off Partly Asset Liabilities) and the Related-transactions	Securities Times B40, Ta Kung Pao B12	http://www.cninfo.com.cn/finalpage/2014-05-24/64059683.PDF
2014-34	2014-6-26	Announcement on the Progress of Transferring 100% Equities of Shenzhen Konka Video & Communication Systems Engineering Co.	Securities Times B53, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2014-06-26/1200006958.PDF

XVI. Particulars about issuing corporate bonds by the Company

□ Applicable √ Inapplicable

Section VI. Changes in Share Capital and Particulars about Shareholders

I. Particulars about the changes in share capital

1. Particulars about the changes in share capital

Unit: Share

	Before the change		Increase/decrease in the change (+,-)					After the change	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Number	Proportion
I. Shares subject to trading trading moratorium	198,381,940	16.48%						198,381,940	16.48%
2. Shares held by state-owned corporation	198,381,940	16.48%						198,381,940	16.48%
II. Shares not subject to trading moratorium	1,005,590,764	83.52%						1,005,590,764	83.52%
1. RMB ordinary shares	599,914,960	49.83%						599,914,960	49.83%
2. Domestically listed foreign shares	405,675,804	33.69%						405,675,804	33.69%
III. Total shares	1,203,972,704	100.00%						1,203,972,704	100.00%

Reason for the changes in share capital

□ Applicable √ Inapplicable

Approval for changes in share capital

□ Applicable √ Inapplicable

Transfer for changes in share capital

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

2. Changes in restricted shares

□ Applicable √ Inapplicable

II. Issuance and listing of securities

1. Issuance of securities over the past three years

□ Applicable √ Inapplicable

2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

□ Applicable √ Inapplicable

3. Existent shares held by internal staffs of the Company

□ Applicable √ Inapplicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	67,755	Total number of common shareholders on the fifth trading day before the disclosure date of the annual report	63,865	Total number of preferred shareholders with resumed voting rights at the end of the reporting period (if any) (see Note 8)	0

Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 5 of them								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the reporting period	Number of non-tradable shares held	Number of tradable shares held	Pledged or frozen shares	
							Status of shares	Number of shares
OCT ENTERPRISES CO.	State-owned corporation	21.75%	261,873,466	33,118,683	198,381,940	63,491,526	Pledged	0
							Frozen	0
HOLY TIME GROUP LIMITED	Foreign corpor	3.87%	46,533,615	-12,373,285	0	46,533,615	Pledged	0
							Froze	0

	ation						n	
GAOLING FUND,L.P.	Foreign corporation	2.19%	26,400,625	0	0	26,400,625	Pledged	0
							Frozen	0
CHINA RESOURCES SCP TRUST CO., LTD.－EXTRAORDINARY NO. 18 CAPITAL TRUST	Domestic non-state-owned corporation	1.92%	23,115,868	23,115,868	0	23,115,868	Pledged	0
							Frozen	0
CHINA RESOURCES SCP TRUST CO., LTD.－EXTRAORDINARY NO. 17 CAPITAL TRUST	Domestic non-state-owned corporation	1.36%	16,422,635	16,422,635	0	16,422,635	Pledged	0
							Frozen	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	1.30%	15,601,843	14,463,243	0	15,601,843	Pledged	0
							Frozen	0
ZHONGRONG INTERNATIONAL TRUST CO., LTD.－ZHONGRONG STRENGTHEN NO. 76	Domestic non-state-owned corporation	1.24%	14,967,808	14,967,808	0	14,967,808	Pledged	0
							Frozen	0
SUN ZHENXIANG	Domestic individual	1.17%	14,093,988	-362,500	0	14,093,988	Pledged	0
							Frozen	0
GUOYUAN SECURITIES BROKER (HK) CO., LTD.	Foreign corporation	1.17%	14,044,900	14,044,900	0	14,044,900	Pledged	0
							Frozen	0

SHENZHEN PING AN UOB WEALTHONE－PING AN BANK－PING AN WEALTHONE HONGYU SPECIFIC CLIENTS ASSET MANAGEMENT PLAN NO. 1	Domestic non-state-owned corporation	1.05%	12,688,226	12,688,226	0	12,688,226	Pledged	0
							Frozen	0
Strategic investor or general corporation becoming a top ten shareholder due to placing of new shares (if any)	Naught							
Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders:	The first majority shareholder OVERSEAS CHINESE TOWN ENTERPRISES CO. has no related-party relationship with other shareholders and they are not acting-in-concert parties, either. Except for that, the Company does not know whether the other shareholders are related parties and whether they are acting-in-concert parties.							

Particulars about shares held by the top ten shareholders holding shares not subject to trading moratorium			
Name of shareholder	Number of tradable shares held at the period-end	Type of shares	
		Type	Number
OCT ENTERPRISES CO.	63,491,526	RMB ordinary shares	63,491,526
HOLY TIME GROUP LIMITED	46,533,615	Domestically listed foreign shares	46,533,615
GAOLING FUND,L.P.	26,400,625	Domestically listed foreign shares	26,400,625
CHINA RESOURCES SCP TRUST CO., LTD.－EXTRAORDINARY NO. 18 CAPITAL TRUST	23,115,868	RMB ordinary shares	23,115,868
CHINA RESOURCES SCP TRUST CO., LTD.－EXTRAORDINARY NO. 17 CAPITAL TRUST	16,422,635	RMB ordinary shares	16,422,635
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	15,601,843	Domestically listed foreign shares	15,601,843
ZHONGRONG INTERNATIONAL TRUST CO., LTD.－ZHONGRONG STRENGTHEN NO. 76	14,967,808	RMB ordinary shares	14,967,808
SUN ZHENXIANG	14,093,988	RMB ordinary shares	14,093,988

GUOYUAN SECURITIES BROKER (HK) CO., LTD.	14,044,900	Domestically listed foreign shares	14,044,900
SHENZHEN PING AN UOB WEALTHONE －PING AN BANK－PING AN WEALTHONE HONGYU SPECIFIC CLIENTS ASSET MANAGEMENT PLAN NO. 1	12,688,226	RMB ordinary shares	12,688,226
Explanation on associated relationship or/and persons acting in concert among the top ten tradable shareholders and between the top ten tradable shareholders and the top ten shareholders	The first majority shareholder OVERSEAS CHINESE TOWN ENTERPRISES CO. has no related-party relationship with other shareholders and they are not acting-in-concert parties, either. Except for that, the Company does not know whether the other shareholders are related parties and whether they are acting-in-concert parties.		
Explanation on the Top 10 shareholders participating in the margin trading business (if any)(see notes 4)	Sun Zhenxiang holds 14,093,988 A-shares through a client credit trading guarantee securities account of GF Securities Co., Ltd.		

Did any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conduct any agreed buy-back in the reporting period?

□ Yes √ No

No such cases in the reporting period.

2. Particulars about the controlling shareholder

Corporation

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Registered capital	Business scope
OCT ENTERPRISES CO.	Duan Xiannian	11 Nov. 1985	19034617-5	RMB 6.3 billion	Export of textile, light industrial products, etc; import of self-used goods in Shenzhen, mechanical equipment, light industrial products, etc. as approved by the relevant authorities of Shenzhen (under Government Document JMB [92] WJMGTSZZ No. A19024); compensation trade; investment in industry, tourism, real estate, commerce & trade and financial insurance.
Future development strategy	Aimed at creating the "aircraft carrier for Chinese cultural tourism industry", and directed by the value of "Qualified Overseas Chinese Town to Bring Happiness to Thousands of Families", the Company will actively adapt to the change of national economic development way, always seize the theme of creative development, further deepen and enrich the existing commercial way, so as to promote the great-leap-forward development for various main business, and further solidify and strengthen the leading advantage in the gathering development and operational area of modern service industry.				
Operating results,	According to the un-audited data for Jan.-Sept. 2014, the total assets of OCT Enterprises Co. stood at RMB 111.919 billion, and the equities attributable to owners of OCT without subsidiaries at RMB 17.43 billion. It				

financial situation, cash flows, etc.	achieved operating revenues of RMB 32.896 billion, and net profits attributable to owners of OCT without subsidiaries of RMB 1.701 billion. The net cash flows from operating activities stood at RMB -425 million and the net increase in cash and cash equivalents at RMB 3.57 billion.
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period	OCT ENTERPRISES CO. held 56.90% equity of Shenzhen Overseas Chinese Town Co., Ltd. (a company listed on the main board of Shenzhen Stock Exchange, SZ. 000069), meanwhile, Shenzhen Overseas Chinese Town Co., Ltd. indirectly held 66.93% equity of OCT (Asia) Holdings Ltd. (a company listed on the main board of Hong Kong Stock Exchange).

Change of the controlling shareholder during the reporting period

☐ Applicable √ Inapplicable

No such cases in the reporting period.

3. Particulars about the actual controller

Corporation

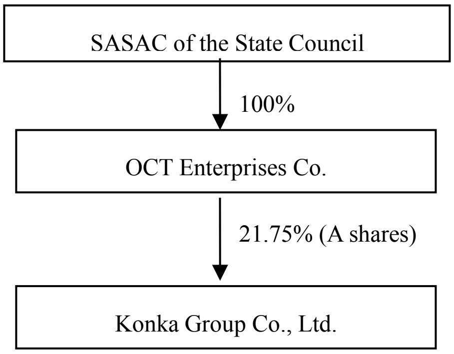
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Registered capital	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	Zhang Yi				
Future development strategy	Inapplicable				
Operating results, financial situation, cash flows, etc.	Inapplicable				
Shares held by the actual controlling shareholder in other listed companies by holding or shareholding during the reporting period	Inapplicable				

Change of the actual controller during the reporting period

□ Applicable √ Inapplicable

No such cases in the reporting period.

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows:



The actual controller controls the Company via trust or other ways of asset management

□ Applicable √ Inapplicable

4. Particulars about other corporate shareholders with shareholding proportion over 10%

□ Applicable √ Inapplicable

IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons

□ Applicable √ Inapplicable

No such cases in the reporting period to the best knowledge of the Company.

Section VII. Preferred Shares

□ Applicable √ Inapplicable

No such cases in the reporting period.

Section VIII. Directors, Supervisors, Senior Management Staffs and Employees

I. Changes in shareholding of directors, supervisors and senior management staffs

Name	Office title	Tenure status	Sex	Age	Start date	Ending date	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Amount of shares held at the period-end (share)
Chen Yuehua	Chairman of the Board	Current	Male	52	8 Dec. 2014	-	0	0	0	0
Su Zheng	Director	Current	Male	58	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Wang Xiaowen	Director	Current	Female	45	17 Dec. 2010	17 Dec. 2013	0	0	0	0
He Haibin	Director	Current	Male	40	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Feng Yutao	Independent Director	Current	Male	47	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Yang Haiying	Independent Director	Current	Female	47	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Zhang Zhong	Independent Director	Current	Male	46	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Dong Yaping	Chief Supervisor	Current	Male	61	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Hao Gang	Supervisors	Current	Male	41	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Liu Yong	Supervisor	Current	Male	43	17 Dec. 2010	17 Dec. 2013	0	0	0	0
Liu Fengxi	President	Current	Male	43	4 Apr. 2014	4 Apr. 2017	0	0	0	0

Cheng Dahou	Vice President	Current	Male	54	4 Apr. 2014	4 Apr. 2017	0	0	0	0
Huang Zhongtian	Vice President	Current	Male	45	4 Apr. 2014	4 Apr. 2017	0	0	0	0
He Jianjun	Vice President	Current	Male	45	4 Apr. 2014	4 Apr. 2017	0	0	0	0
Lin Gaike	Vice President	Current	Male	43	4 Apr. 2014	4 Apr. 2017	0	0	0	0
Huang Zhiqiang	CFO	Current	Male	49	4 Apr. 2014	4 Apr. 2017	0	0	0	0
Li Hongtao	Vice President	Current	Male	47	4 Apr. 2014	4 Apr. 2017	0	0	0	0
Wu Siyuan	Board chairman	Left	Male	51	18 Oct. 2013	8 Dec. 2014	0	0	0	0
Cheng Dahou	Vice President	Left	Male	53	25 Apr. 2012	10 Jan. 2014	0	0	0	0
Yang Rong	CFO	Left	Female	40	4 Apr. 2014	26 May 2014	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0

II. Post-holding situation

Main working experience of current directors, supervisors and senior management staffs over the past five years

1. Directors

Chen Yuehua, Chairman of the Board. Male, Han nationality, born in 1963. Master of Business Administration. Senior engineer. Former senior engineer of Konka Group Technological Development Center; former general manager of Konka Electric Appliance Department Technological Development Center; former general manager of President Office of Konka Group; former general manager of Dongguan Konka Electronics Co., Ltd; former vice general manager of Konka Group Multimedia Business Department; former vice president of Konka Group; former president, deputy party secretary of Konka Group; assistant to the president and secretary of the board of Shenzhen OCT Co., Ltd. Current board chairman of Konka Group; vice president of Shenzhen OCT Co. Ltd; president of Shenzhen OCT Vision Inc.; and president of Shenzhen Rough

Diamond Trading Center Co., Ltd.

Su Zheng, Director of the Company, was born in 1956 with the Han nationality; collage degree, a senior engineer. He have served successively as Secretary of the CPC and Vice General Manager in SHENZHEN CASIC GUANGYU LTD., Leader of the Assets Integration Team of Shenzhen Area of China Aerospace Science & Industry Corp., Vice Chairman of the Board and as Secretary to the CPC in Aerospace Science & Industry Shenzhen (Group) Co., Ltd., as Deputy Secretary to the CPC in 999 Group Corporation (Shenzhen Southern Pharmaceutical Factory), as Chief Supervisor in Yunnan OCT Industrial Co., Ltd. Now he occupies the posts of standing committee of Vice Party Committee, Deputy Secretary to the CPC and Vice General Manager, Director of Konka Group, Director of China International Travel Service Co., Ltd.; Supervisor of Overseas Chinese Town Real Estate Co., Ltd., and Chief Supervisor, Deputy Secretary to the CPC and Secretary of Inspecting Discipline Commission in Shenzhen Overseas Chinese Town Co., Ltd. He now acts as the Deputy Party Secretary, Secretary of Commission of OCT Group, Director of Konka Group and Director of CITS Co., Ltd.

Wang Xiaowen, Director of the Company, born in 1969, Han nationality, is a holder of university diploma. She successively took the post of Cadre of Personnel Division of Overseas Chinese Affairs Office of the State Council, Vice General Manager of the Audit Department of Overseas Chinese Town Economic Development Corporation, Chief Financial Officer and Director in Shenzhen Overseas Chinese Town Industry Development Co, Ltd., Vice General Manager, Chief Administrative Officer of President Office, Chief Financial Officer, Supervisor and Assistant to President in Overseas Chinese Town Group Corporation, Director of Shenzhen OCT Real Estate Co., Ltd., Supervisor of Shenzhen Overseas Chinese Town Co., Ltd., Supervisor of Konka Group and Chairman of the Board in Shenzhen Overseas Chinese Town Hotel Group Co., Ltd. Now she serves as Standing Committee member of Party Committee in Overseas Chinese Town Group Corporation, Director in Konka Group Co., Ltd., Chairman of the Board in Overseas Chinese Town (Asia) Holdings Limited and Shenzhen OCT Investment Co., Ltd., Director in Union Developing Group of China, Vice Chairman of the Board of Supervisors of China International Travel Service Co., Ltd., Chairman of the Board in Overseas Chinese Town Hong Kong Limited and Overseas Chinese Town (Asia) Holdings Limited and Shenzhen OCT Investment Co., Ltd., and Vice President, Party Committee of Shenzhen OCT Co., Ltd. He’s also at the same time vice chairman of Central Enterprise Youth Federation and vice chairman of the Accounting Society of Shenzhen.

He Haibin, Director of the Company, born in 1974, Han nationality, holds undergraduate degree, is a senior accountant. He has successively taken the posts as Chief of Audit Department and Financial Department in Overseas Chinese Town Group Corporation, as Principal of Finance in Planning Department of the Crowne Plaza Shenzhen, as CFO in Shenzhen OCT Seaview Hotel Co., Ltd., as CFO in InterContinental Shenzhen, as Vice CFO in Overseas Chinese Town Group Corporation and as CFO in Overseas Chinese Town Hong Kong Limited, etc.. Now he is the Chief of Enterprise Management Department in Overseas Chinese Town Group Corporation, as well as a director of Konka Group.

2. Independent Director

Feng Yutao, Independent Director of the Company, was born in 1967 with the Han nationality. He graduated from Duke University with doctor of electronics engineering. He ever took senior management staff in C-Cube Microsystems, LSI Logic Inc. and Zoran Corporation. Now he acts as Vice President of Ambarella Inc., General Manager of Ambarella Inc., China and Independent Director of Konka Group.

Yang Haiying, Independent Director of the Company, was born in 1967 with the Han nationality, and she graduated from the department of accounting of Shanghai Maritime University, being a senior accountant. She used to work in Waterway Bureau of Guangzhou as Accountant, and in China Shipping Container Lines Co., Ltd. as senior accountant. Now she serves as Senior Accountant in Hamburg Fritz und Mark Certified Public Accountants and Independent Director of Konka Group.

Zhang Zhong, Independent Director of the Company, was born in 1968 with the Han nationality. He gained Master of Law from Renmin University of China, being a lawyer. He ever took the post of lawyer in Beijing Zhengpingdeng Law Firm. Now he acts as Lawyer and Copartner of Beijing Zhonglun Law Firm and Independent Director of Konka Group.

3. Supervisor

Dong Yaping, Chief Supervisor of the Supervisory Committee, born in 1953, Han nationality, diploma of college, is an economist and Senior political officer. He has successively held the posts of Division Chief of Department of Foreign Affairs Financial Supervision under the Ministry of Supervision, Cadre of Overseas Chinese Affairs Office of the State Council, Deputy Secretary of the CPC and Secretary of Inspecting Discipline Commission and Vice President in Overseas Chinese Town Group Corporation, Chief Supervisor of the Supervisory Committee of Shenzhen Overseas Chinese Town Holding Company, Vice Chairman of the Board in Changsha Window of the World Co., Ltd., Director of Chengdu Tianfu Overseas Chinese Town Industrial Development Co., Ltd., Chief Supervisor of the Supervisory Committee in Taizhou OCT Investment Development Co., Ltd., Supervisor in Shenzhen OCT East Co., Ltd., Standing Committee Member of the CPC and Vice GM in Overseas Chinese Town Group Corporation and Vice Chairman of the Board in Shenzhen Overseas Chinese Town Co., Ltd.. Now he is Consultant of the OCT Group and Chief Supervisor of the Supervisory Committee in Konka Group Co., Ltd.; He is also at the same time Vice President of Shenzhen Foundation for Justice and Courage, a member of the Advisory Committee of Shenzhen Municipal Government, a member of the Expert Evaluation Committee for Shenzhen Mayor Quality Award and a member of the presidium of Chinese Culture Promotion Society

Hao Gang, was born in 1973, Han nationality, bachelor degree. He successively took the post such as Vice Chief of the Inspection Office, etc. in Overseas Chinese Town Group Corporation. Now he is the Chief of the Inspection Office in Overseas Chinese Town Group Corporation and a supervisor of Konka Group.

Liu Yong, Staff Supervisor, Han nationality, born in 1972, bachelor holder of postgraduate, is an assistant to engineer. He successively took posts of Vice Chief of GM's Office in Shenzhen Konka Telecommunications Technology Co., Ltd. and Vice Chief of Office of Konka Group. Now he is Office Chief and a supervisor of Konka Group.

4. Senior Executives

Liu Fengxi, President, Han nationality, born in 1972, postgraduate. He was once marketing GM for the multi-media division of Konka Group, Assistant GM and then Vice GM of Shenzhen Konka Telecommunications Technology Co., Ltd., Chief of the Operation Management Center of Konka Group, Assistant to President and Vice President of Konka Group, etc.

Huang Zhongtian, Vice President. He is male, Han nationality, born in 1961, bachelor degree and Senior Administration Engineer. He successively took the post such as Assistant to President, Vice General Manager, Vice President, and Deputy Secretary of party Committee and Secretary of Commission etc. of Konka Group.

He Jianjun, Vice President of the Company, was born in 1969 with the Han nationality; he obtained bachelor degree; being Economist. He has served successfully as Deputy Chief of Secretariat of the Board, Deputy Chief and Chief of Strategic Development Dept. and Secretary to the Board in Konka Group, etc.

Xiao Qing: Secretary of the Board; was born in 1969 with the Han nationality; he got bachelor degree, being Economist. He used to be Business Assistant to the President and Deputy Chief of Strategic Development Dept. as well as Chief of the Investment Development Center in Konka Group Co., Ltd., etc.

Lin Gaike: Vice President, male and was born in 1972 with the Han nationality; he got bachelor degree, being Engineer. He used to be Director of New Type Display Design of Konka Group, Vice GM of Digital Tablet Business Division of Konka Group and Vice GM of Color TV Business Division of Konka Group.

Huang Zhiqiang, CFO. Male, Han nationality, born in 1966, bachelor degree. Former financial manager of HKOCT; former chief inspector of OCT (Asia) Holdings Ltd; former general manager of Zhongshan Huali Packaging Co., Ltd; former chief financial officer and vice general manager of HKOCT; former vice president of OCT (Asia) Holdings Ltd; director of Shanghai Huali Packaging Co., Ltd; vice general manager of Happy Valley Travel Branch of Chengdu Tianfu OCT Industrial Development Co., Ltd; financial officer of Chengdu Tianfu OCT Industrial Development Co., Ltd; vice general manager of HKOCT; vice general manager of OCT (Asia) Holdings Ltd; and vice general manager of Shenzhen Huali Packaging Co., Ltd, etc.

Li Hongtao, Vice President. He is male, Han nationality, born in 1968; bachelor degree. He successively took the post such as Assistant to General Manager, General Manager, Director and

General Manager of Shenzhen Konka Telecommunication Technology Co., Ltd and Assistant President of Konka Group etc.

Post-holding in shareholders' units

√Applicable □ Inapplicable

Name of the person holding any post in shareholder's unit	Name of shareholder's unit	Position in shareholder's unit	Beginning date of office term	Ending date of office term	Receives payment from shareholder's unit?
Su Zheng	OCT Holdings Company	Standing committee member of Party Committee, Deputy Secretary of Party Committee and Secretary of Inspecting Discipline Commission	1 Mar. 2008	Unknown	Yes
Wang Xiaowen	OCT Holdings Company	Standing committee member of Party Committee	1 Mar. 2008	Unknown	No
Dong Yaping	OCT Holdings Company	Consultant of OCT ENTERPRISES CO	1 Mar. 2014	Unknown	Yes
He Haibin	OCT Holdings Company	Chief of Enterprise Management Department	1 Feb. 2010	Unknown	Yes
Hao Gang	Shenzhen OCT Co., Ltd.	Chief of Inspection Office	1 Mar. 2010	Unknown	No
Notes to post-holding in shareholder's unit	1. Except the above situation, other directors, supervisors and senior management didn't hold any position in the shareholders' units. 2. It is unknown the ending date of the posts of Mr. Chen Yuehua, Mr. Wu Siyuan, Mr. Suzheng, Ms. Wang Xiaowen, Mr. Dong Yaping, Mr. He Haibin and Mr. Hao Gang held in the shareholders' units. 3. Mr. Su Zheng has taken the post of Deputy Secretary of party Committee and Secretary of Commission of OCT ENTERPRISES CO. from Mar. 2008 to now				

Post-holding in other units

√ Applicable □ Inapplicable

Name of the person holding any post in other units	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from other unit?
Wang Xiaowen	Central Enterprise Youth Federation	Vice President			No

Wang Xiaowen	Accounting Society of Shenzhen	Vice Chairman			No
Dong Yaping	Advisory Committee of Shenzhen Municipal Government	Vice President			No
Dong Yaping	Chinese Culture Promotion Society	Member			No
Feng Yutao	Ambarella Inc.	Vice Chairman			Yes
Yang Haiying	Hamburg Fritz und Mark Certified Public Accountants	Vice President, GM of Chinese Area			Yes
Zhang Zhong	Beijing Zhonglun Law Firm	Senior Accountant			Yes
Notes to post-holding in other units	Ms. Wang Xiaowen and Mr. Dong Yaping all took part-time job in other units, while Mr. Feng Yutao, Ms. Yang Haiying and Mr. Zhang Zhong were the independent directors of the Company.				

III. Remuneration for directors, supervisors and senior management staffs

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors and senior management staffs

(I) Remuneration of directors and supervisors of the Company was submitted for review and approval of the Shareholders' General Meeting after the review and approval of the Board of Directors. In the reporting period, the Company did not pay directors (excluding independent directors) or supervisors any remunerations or subsidies. The total remunerations paid to the top three directors that enjoyed the highest amounts were RMB 285,600 that was the total remuneration of three independent directors. Subsidies for each independent director of the Company were RMB 80,000 for every year (tax excluded). Other treatment for independent directors: travel expense when they went to attend the Board sessions or Shareholders' General Meetings and the expenses when they were performing their duties as stipulated in the relevant regulations and the Articles of Association and other relevant systems, all these could be reported for deletion.

(II) The Board of Directors determined the remuneration of senior management staffs, and referred to the following factors: a. scope of jobs and responsibility shouldered; b. actual profit of the Company; c. market remuneration level in the same industry and same area.

Remuneration of the directors, supervisors and senior management of the Company during the reporting period

Unit: RMB Ten Thousand Yuan

Name	Position	Sex	Age	Tenure status	Total remuneration gained from the Company (RMB 0'000)	Total remuneration gained from the units of the Shareholders	Total actual remuneration gained from the reporting period
Chen Yuehua	Chairman of the Board	Male	52	Current	0		

Su Zheng	Director	Male	58	Current	0	71.42	71.42
Wang Xiaowen	Director	Female	45	Current	0		
He Haibin	Director	Male	40	Current	0	71.25	71.25
Feng Yutao	Independent Director	Male	47	Current	9.5		9.5
Yang Haiying	Independent Director	Female	47	Current	9.5		9.5
Zhang Zhong	Independent Director	Male	46	Current	9.5		9.5
Dong Yaping	Chief Supervisor	Male	61	Current	0		
Hao Gang	Supervisors	Male	41	Current	0	68. 57	68. 57
Liu Yong	Supervisor	Male	43	Current	65.2		65.2
Liu Fengxi	President	Male	43	Current	122.6		122.6
Huang Zhongtian	Vice President	Male	54	Current	95.3		95.3
He Jianjun	Vice President	Male	45	Current	95.3		95.3
Xiao Qing	Secretary to the Board	Male	45	Current	95.3		95.3
Huang Zhiqiang	CFO	Male	49	Current	25.6		25.6
Lin Gaike	Vice President	Male	43	Current	95.3		95.3
Li Hongtao	Vice President	Male	47	Current	74.8		74.8
Wu Siyuan	Chairman of the Board	Male	51	Left	35.4		35.4
Cheng Dahou	Vice President	Male	53	Left	0		
Yang Rong	CFO	Female	40	Left	69.6		69.6
Total	--	--	--	--	802.9	211. 24	1, 014. 14

Particulars about the equity incentives awarded for the directors, supervisors and senior management staffs of the Company during the reporting period

□ Applicable √ Inapplicable

IV. Particulars about changes of Directors, Supervisors and Senior Executives

Name	Position	Type	Date	Reason
Wu Siyuan	Chairman of the Board	Left	8 Dec. 2014	Resigned owning to work changes

Chen Yuehua	Chairman of the Board	Elected	8 Dec. 2014	Be elected as the Director by the Annual General Meeting and be elected as Chairman of the Board by the meeting of the Board of Directors
Huang Zhiqiang	CFO	Engaged	26 May 2014	Be engaged by the decision of the meeting of the Board of Directors
Yang Rong	CFO	Left	23 May 2014	Resigned owning to personal reason
Cheng Dahou	Vice President	Left	10 Jan. 2014	Resigned owning to personal reason

V. Particulars about changes in core technical team or key technicians during the reporting period (not directors, supervisors or senior management staffs)

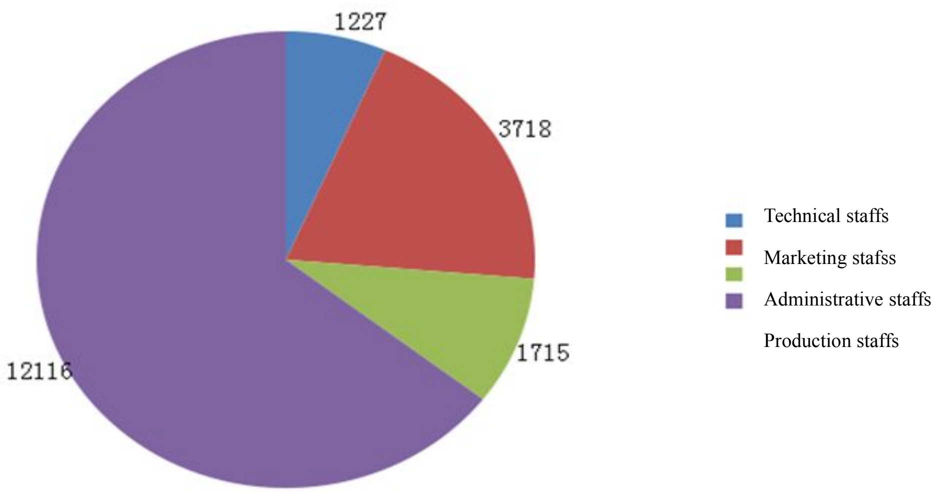
There were no changes in core technical team or key technicians of the Company during the reporting period.

VI. About employees

Up to the period-end, there were 18,776 employees of the Company in total.

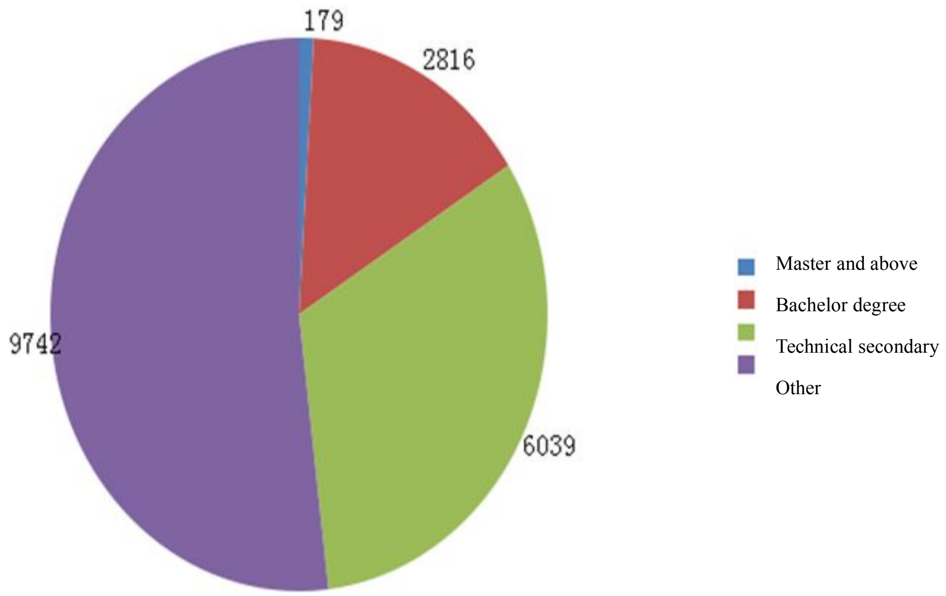
1. Classified by the professional structure: 1,227 technical staffs, 3,718 marketing staffs, 1,715 administration staffs,12,116 production and other staffs;

Distribution diagram of the serving employees of 2014



2. Classfied according to the education degree: 179 master and above, 2,816 bachelor degree, 6,039 technical secondary and 9,742 junior high school and below.

Distribution diagram of the education degree of the serving employees of 2014



(II) Employee's remuneration policy

The Company promulgated its remuneration system with the operating strategy of serving for the enterprise development and enhancement, and the principle of deciding the remuneration according to the post, business performance and capabilities, as well as the market competitiveness and internal fairness. And it decided the employee's remuneration level according to its business earnings, the posts and fulfillment of the business performance of the employee.

(III) Employee's training plan

The Company adhered to the people-oriented and paid special attention to cultivate the talents. Surrounded by the business development and the construction of talent team, the Company actively organized and carried out various training activities, and continuously perfected its talents cultivation system, as well as further enhanced the employee's professional skills and overall quality, so as to strengthen the construction of management talents, professional talents and technical talents teams.

In 2014, guided by closing to the business needs, the Company centralized the superior resources to promote the cultivation of key talents. And it organized and carried out the open class project for all the employees, and organized and carried out the new employee's training & cultivation projects respectively for the graduates from campus recruiting and personnel from social recruitment. Meanwhile, it centralized to organize the pointed the training projects of general management skills and post professional knowledge, etc for the personnel from marketing, R&D, manufacturing, financial and human resources systems, so as to better complete its annual training plan.

Section IX. Corporate Governance

I. Basic information of corporate governance

In the reporting period, strictly in accordance with the Company Law, Securities Law of the PRC, Code of Corporate Governance for Listed Companies, Share Listing Rules of Shenzhen Stock Exchange and the relevant rules and regulations of the CSRC, the Company timely amended the internal control systems such as the Articles of Association and Administrative Method on Provision of External Financial Aids as well as Management System on Investors Relationship, continuously perfected the corporate governance structure and standardized the Company's operation. By the end of the reporting period, the actual conditions of corporate governance basically met the requirements of the regulatory documents in respect of corporate governance structure of listed companies issued by CSRC.

(I) Shareholders and the Shareholders' General Meeting

The Company drew up Articles of Association and Rules for Procedure of Shareholders' General Meeting, ensured that all shareholders, in particular medium and minor shareholders, enjoy legal rights and equal standard. In the reporting period, the Company was able to publish announcement on Shareholders' General Meetings in advance, convened Shareholders' General Meeting with strictly accordance to relevant requirements, so as to enable the shareholders have their rights of information to the Company's material issues and the participation rights. In 2014, the Company convened three Shareholders' General Meeting in total. The Company seriously did well the registration, arrangement and organization work for the Shareholders' General Meeting before the circular on convening the Shareholders' General Meeting being published at the designated media. The Company convened the Shareholders' General Meeting at the office address of the Company strictly in line with relevant stipulations, which was convenient in traffic, and the shareholders could attend the session in accordance with their actual situation. The Company's directors, supervisors and senior management staffs made explanations and description for the shareholders' questions and advices at the session.

(II) Controlling shareholder and the Company

In the reporting period, the controlling shareholders and actual controllers strictly regulated its behavior and complied with laws in exercising their rights and obligations, not bypassed the Shareholders' General Meeting to intervene in the Company's decisions and operations directly or indirectly. The Company was separated from the controlling shareholders and actual controllers in aspects of its business, personnel, assets, organ and finance, the Board of Directors, Supervisory Committee and the internal departments of the Company functioned independently.

(III) Directors and the Board of Directors

The number and structure of the Board Bureau of the Company were in compliance with laws and regulations. The Company drew up Rules for Procedures of the Board Bureau, so as to ensure a high efficient operation and scientific decision-making of the Board Bureau; the Company has set up Independent Director System and engaged three independent directors. In the reporting period, the number of directors and composition of the Board of Directors of the Company as well as the procedure of selection was in accordance with the requirements of the rules and laws as well as Articles of Association. The Company set up four special committees, which were Financial Audit Committee, Nomination Committee, Remuneration & Appraisal Committee, Strategy Committee to provide profession opinion for the decision of the Board of Directors. All the directors carried out their work, fulfilled their duties and scrupulously attended the Board sessions in accordance with Rules of Procedure for the Board of Directors, Rules for Independent Directors, etc. 19 Board sessions were convened by the Company during the reporting period, which brought the decision-making mechanism of the Board of Directors into full play.

(IV) Supervisors and supervisory committee

The Company has established Rules for Procedures of the Supervisory Committee, persons and structure of the Supervisory Committee was in line with relevant laws and statutes, supervisors can earnestly perform their responsibilities, independently and efficiently executed supervision and check responsibilities with a spirit of being responsible to shareholders. In the reporting period, t he number of supervisors and composition of the Supervisory Committee of the Company as well as their selecting procedure complied with the laws, regulations. In accordance with the requirement of the Rules of Procedure for Supervisory Committee, the supervisors performed their duties in an earnest and responsible manner, and exercised their functions of supervision on the decision-making procedure of the Board of Directors, resolutions and the Company’s operation by law, and took effective supervision over the Company’s significant events, related transactions, financial position, as well as the legality and compliance on duty performance by the directors, president and other senior management members.

(V) Performance Appraisal and Incentive & Restrictive Mechanism

The senior management staffs of the Company were recruited on an open basis and in compliance with the laws and regulations. The Company has established and gradually improved the performance appraisal standards and incentive & restrictive mechanism for senior management staffs, so as to attract qualified personnel, and ensure the stability of senior management staffs.

(VI) Interested parties

During the reporting period, the Company fully respected and maintained the legal rights of the interested parties, and realized the balance of interest among the parties such as society, shareholders and employees, etc. Meanwhile, the Company protected the rights of the employees, promoted the environmental protection, and actively joined in the social benefit and charitable cause so as to jointly promote sustainable and healthy development.

(VII) Information disclosure and transparency

The Company strengthened its investor relations management by formulating the Management Rules for Investor Relations and the Management Rules for Information Disclosure. The Company strictly complied with the requirements of the laws, regulations and the Articles of Association to disclose its information as required by the relevant regulations on an timely, honest, complete and accurate basis, to ensure the accurate and timely information disclosure, while ensure equal access to information for all shareholders. Owing to his efforts in promoting the standardized operations of the listed companies, implementing the requirements of regulatory authorities, investor relations management, as well as the information disclosure, Mr. Xiao Qing, the Board Secretary, has won the title "Golden Board Secretary of New Fortune" from the 10th session, and successively gained the title of Board Secretary in Actively Promoting the Standards and Self-discipline for the Listed Companies from Y2008 to Y2014 in Shenzhen Securities Regulatory Bureau.

(VIII) Non-standard governance

1. Type of non-standard governance matter existed

There was a situation that the Company disclosed undisclosed information.

2. Types and cycle of undisclosed information provided to the principal shareholder

The Company provided monthly financial data to the principal shareholder.

3. Reasons for the related non-standard governance existed

The Company submitted the undisclosed information such as monthly financial data to the substantial shareholder directly administrated by the State-owned Assets Supervision and Administration Commission of State Council in accordance with the managerial demand of SASAC.

4. Impact on Company independence

After the self-inspection, the Company kept strictly to the requirements of "Notice on Strengthening the Supervision of Listed Company's Provision of Non-public Information to Substantial Shareholders and Actual Controllers", and "Supplementary Notice Concerning Strengthening the Supervision of the Non-standard Governance Behavior of Listed Company's Provision of Non-public Information to Substantial Shareholders and Actual Controllers", while stringently performed the necessary procedures. There existed no circumstances of substantial shareholder's abuse of control and disclosure of undisclosed information for insider trading, and hence, it has no impact on the independence of the Company.

Whether it exists any difference between the corporate governance and the Company Law and relevant rules of CSRC or not?

□ Yes √ No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

Progress of corporate governance activities, promulgation and implementation of Registration System for Information Insiders

(I) Establishment of robust Management System for Information Insiders

To further standardize the enterprise inside information management, strengthen the confidentiality of the enterprise inside information and maintain the fairness principle of information disclosed, the company has established Konka Group Incorporated Company Management System for Inside Information and Its Insiders in light of such regulations related to laws, regulations and standardized Files as Company Acts, Securities Law, Listing Company Information Disclosure Management Methods and Listing Company Rules in Shenzhen Stock Exchange; the company revised Management System for Inside Information and Its Insiders according to Regulations on establishment Registration Management System for Inside Information and Its Insiders by the listed company and made by CSRC and Notifications on requirements for further management of inside information by Shenzhen SRC within reporting period. The company strictly implements the system during information disclosure. Meanwhile, seriously implement the company registration and management methods for inside information, register the information insiders, and file the registration in Shenzhen Securities SZSE and Shenzhen SRC according to the relevant regulations.

Special examination has been taken regarding the inside information management during the period of major projects undertaken and annual reporting in 2014. It is examined that the information insiders did stick to the confidentiality regulations during the period of periodic report, formulation for major projects, examination and disclosure. No inside information was disclosed, revealed or spread to the public, and the information insiders did not utilize the inside information to sell the company shares prior to the disclosure of major and sensitive information that influences the company share price, and the monitoring departments were not inspected and reformed. Management System for Inside Information and Its Insiders was implemented and controlled properly and efficiently.

For details about the Management System for Inside Information and Its Insiders, please refer to the public notice disclosed on www.cninfo.com.cn dated 28 Dec. 2011.

(II) Establishment and implement of management system for the user of external information

In order to strengthen the management of the reporting of company inside information, the company has established inside information reporting management system in light of such relevant regulations regarding laws, regulations and standardized files as Securities law of the People's Republic of China, Management methods of information disclosure for listed company, and Konka Group Incorporated Company Management System for Inside Information and Its Insiders, regulating on the reporting scope, procedure and responsibility division of inside information.

Special examination has been taken regarding the reporting situation of inside information management during the period of the major projects undertaken and annual reporting in 2014. It is examined that the inside information reporting is subject to the requirements of inside information reporting management system which is implemented and controlled properly and effectively.

II. Particulars about annual shareholders' general meeting and special shareholders' general meeting held during the reporting period

1. Particulars about annual shareholders' general meeting held during the reporting period

Session	Convening date	Name of proposal	Resolution	Disclosure date	Disclosure index
2013 Annual Shareholders' General Meeting	25 Apr. 2014	1. Work Report of the Board of Directors in 2013; 2. Work Report of the Supervisory Committee in 2013; 3. 2013 Annual Report; 4. Proposal on 2013; 5. Annual Profits Distribution Plan; 6. Proposal on Engagement of the Audit Firm on Financial Statements and Internal Control for the Company in 2013; 7. Proposal on the Appliance for the General Credit Limit of Bank of China; 8. Proposal on Authorizing the Management Layer of the Company Choosing to Sell the Equity of the Joint Stock Companies; 9. Proposal on Revising the Relevant Regulations of the Articles of Association	All the proposals were reviewed and approved at the session.	26 Apr. 2014	Announcement on Resolutions Made at the 2013 Annual Shareholders' General Meeting (Announcement No: 2014-2), http://www.cninfo.com.cn/finalpage/2014-04-26/63924031.PDF

2. Particulars about special shareholders' general meeting held during the reporting period

Session	Convening date	Name of proposal	Resolution	Disclosure date	Disclosure index
The First Special Shareholders' General Meeting for 2014	9 Jun. 2014	1. Proposal on Applying the Comprehensive Credit Line to CCB; 2. Proposal on Locking the USD Financing cost through Using the Financial Instruments; 3. Proposal on Transferring the Whole Equity of Video Company.	All the proposals were reviewed and approved at the session.	10 Jun. 2014	Announcement on Resolutions Made at First Special Shareholders' General Meeting for 2014 (Announcement No: 2014-32), http://www.cninfo.com.cn/finalpage/2014-06-10/64119389.PDF
The Second Special Shareholders' General Meeting for 2014	8 Dec. 2014	1. Proposal on the Cooperation Development Plan of the Urban Renew Project of the Headquarters Factory of Konka; 2. Proposal on Providing the Credit Guarantee Quotation for Shenzhen Konka Telecommunication Technology Co., Ltd.; 3. Proposal on Providing Credit Guarantee Quotation for Kunshan Konka Electronics Co., Ltd.; 4. Proposal on Providing Credit	All the proposals were reviewed and approved at the	9 Dec. 2014	Announcement on Resolutions Made at Second Special Shareholders' General Meeting for 2014 (Announcement

		Guarantee Quotation for Dongguan Konka Electronics Co., Ltd.; 5. Proposal on Providing Credit Guarantee Quotation for Shenzhen Konka Information Internet Co., Ltd.; 6.Proposal on Providing Credit Guarantee Quotation for Anhui Konka Electronics Co., Ltd.; 7. Proposal on Providing Credit Guarantee Quotation for Shenzhen Konka Electrical Appliance Co., Ltd.; 8. Proposal on Providing Credit Guarantee Quotation for Yishijie Commercial Display Co., Ltd.; 9. .Proposal on Providing Credit Guarantee Quotation for Anhui Konka Tongchuang Electrical Appliance Co., Ltd.; 10. Proposal on Supplementing Mr. Chen Yuehua as the Director of the 7th Board of Directors.	session.		No: 2014-58), http://www.cninfo.com.cn/finalpage/2014-12-09/1200450721.PDF

3. Preferred shareholders with recovered voting rights request the holding of the Extraordinary General Meeting

□ Applicable√ Inapplicable

III. Performance of the Independent Directors during the Reporting Period

1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

Particulars about the independent directors attending the board sessions						
Name of independent directors	Due presence	Presence in person	Presence by telecommunication	Entrusted presence	Absence	Failing to present in person for two consecutive sessions or not
Yang Haiying	18	2	16	0	0	No
Feng Yutao	18	1	17	0	0	No
Zhang Zhong	18	0	18	0	0	No
Presence of independent directors in shareholders' general meeting		5				

Explanation on failing to present in person for two consecutive sessions:

Inapplicable

2. Particulars about independent directors propose objection on relevant events

Whether independent directors propose objection on relevant events or not?

√Yes □ No

Name	Events	Content
Feng Yutao, Yang Haiying,	Proposal on the Joint Development of the Urban New Project of the Headquarters Factory of the Konka Group by OCT Group. The renew	The Independent Directors can not issue any advice on the

Zhang Zhong	transformation project that OCT Group Company and Konka Group jointly set up the joint venture for developing the headquarters factory of Konka Group; the equity proportion of the joint venture was: OCT Group Company of 40% and Konka Group of 60%.	cooperation development plan put forward by OCT Group, so had voted abstention vote on the proposal.
Notes of the objection on the relevant events of the Company by the Independent Directors	I. Although Consent Award of Shenzhen Court of International Arbitration mentioned that: when OCT Group put forward to jointly participate in the development of the urban renew project involved with the lawsuit disputes land under reasonable conditions, Konka Group never reject. But when the Consent Award had not made definite descriptions on the "reasonable conditions", that also meant there were no any advice and judgment on the specific cooperation contents and methods of the development of the urban renew project. From the situation known by myself, the cooperation development proportion held by the medium and small shareholders of the Konka Group had certain difference between the proportion mentioned in the proposal put forward by the OCT Group Company, and the OCT Group Company had not made any specific description on the cooperation development proposal. Thus, I can not issue any advice on the cooperation development proposal put forward by OCT Group Company, so I can just vote the abstention vote. II. In view of the Annual General Meeting is requiring for the internet voting, and the voting mechanism of the shareholders is rather perfect, so under the situation of holding the Annual General Meeting, the shareholders would have the opportunity to fully issue the advice on the events submitted to the Annual General Meeting; for promoting the urban renew development of the headquarters factory of Konka Group as soon as possible, we suggest the relevant shareholders to directly submit the Proposal on Jointly Development of the Urban Renew Project of Konka Group to the Annual General Meeting.	

3. Other explanation on performance of independent directors

Whether the advices of independent directors for the Company were adopted or not?
√ Yes □ No

Explanation on the advices of independent directors for the Company being adopted or not adopted

In the reporting period, independent directors of the Company actively participated in relevant meetings, earnestly reviewed each proposal, and objectively issued their opinions and attitudes and acknowledged operation of the Company, establishment of internal control, and execution of proposals of the Board Bureau and Shareholders' General Meeting.

As the experts of each field, the Independent Directors of the Company actively provided professional suggestions on internal management, which including: reinforced management on business procedure, reinforced establishment of internal control, reinforced research on advanced technology of color TV, reinforced management on cash flow and accounts receivable, etc.. The Company carefully adopted opinions of independent directors, continuously perfected and improved management level of the Company.

IV. Performance of the Special Committees under the Board during the reporting period

(I) Summary report on the performance of the Audit Committee subject to the Board of Directors

1. Establishment and perfection of related working system of Financial Audit Committee

The company had constituted the Work Rules for the Financial Audit Committee under the Board which illustrated the exact personnel, obligations and rights of the Financial Audit Committee under the Board.

The Financial Audit Committee under the Board of the Company was composed of three independent directors, including two independent directors and one non-independent director, and the post of Chairman was held by Ms. Yang Haiying, an independent director with specialty in accounting.

The Financial Audit Committee under the Board of the Company has fulfilled the following duties based on the principle of diligence and responsibility and according to relevant laws and regulations of CSRC and Shenzhen Stock Exchange, as well as relevant provisions in Work Rules for the Financial Audit Committee under the Board and System of Independent Directors:

2. It has fulfilled the following duties during the preparation of Annual Report 2014:

(1) Reviewed and approved the arrangement for 2014 annual auditing of the Company;

(2) Issued Audit Opinion of the Financial Audit Committee on Financial Accounting Statements Prepared by the Company before CPAs' entry of Audit;

(3) Communicated and exchanged ideas with the CPAs responsible for annual auditing on the problems occurring during the auditing;

(4) Issued Audit Opinion on Financial Accounting Statements of the Company after CPAs Issued the Preliminary Audit Opinion;

(5) Issued Summary Report on Annual Auditing by Ruihua Certified Public Accountants.

(6) Submitted the decision on the resolution of the annual financial statement of the Company to the Board

(7) Submitted the decision on the resolution of engagement of the CPAs in 2015 to the Board

3. In 2014, according to the authorization of the Board of Directors, the Financial Audit Committee accepted the report on the work of the Company's Internal Auditing Department and carried out management over the Internal Auditing Department of the Company and its work.

4. Reviewed financial statements of Annual Report 2013, First Quarterly Report 2014, Semi-Annual Report 2014, and the Third Quarterly Report 2014, and had no objection to the aforesaid financial statements.

5. Proposed to engage Ruihua Certified Public Accountants as the audit institution for annual financial statement auditing 2015 of the Company after investigation.

6. During the preparation of Annual Report 2014, the Company mainly fulfilled the following duties:

(1) Before the CPAs started the annual auditing, the Financial Audit Committee communicated with the CPAs responsible for the annual auditing face to face, and discussed about the personnel component of the auditing group, the plan of auditing and the focus of the annual auditing.

(2) It deliberated the Financial Accounting Statements prepared by the Company before the CPAs' entry of Auditing, and issued the Audit Opinion of the Financial Audit Committee on Financial Accounting Statements Prepared by the Company before CPAs' entry of Audit, with details as follows:

A. We agreed to submit the Financial Statements to the CPAs for auditing.

B. The intermediary institution for annual auditing engaged by the Company should carry out the audit work stringently according to the requirement of Professional Code of China's CPA in the process of auditing, and duly communicate with the committee if significant problems were discovered.

(3) It reviewed the Arrangement for Annual Auditing 2014 of Konka Group Co., Ltd prepared by the Company before the CPAs' entry of Auditing, and approved the arrangement for the auditing of annual report 2014.

(4) The Financial Audit Committee communicated with the internal auditing department on the internal auditing.

(5) During the auditing of the annual financial report, the Committee twice sent letters to urge the CPAs responsible for annual auditing to complete the auditing as scheduled.

(6) It deliberated the Financial Accounting Statements of the Company after the CPAs issued the preliminary audit opinion, and issued the Audit Opinion on Financial Accounting Statements of the Company after CPAs Issued the Preliminary Audit Opinion, with details as follows:

The Committee kept in touch with the CPAs when the Financial Statements 2014 of the Company were audited. We inquired the management of the Company about the events concerned by the audit institution and again reviewed the Financial Statements of the Company as soon as the intermediary institution formed the preliminary opinion. The annual audit institution of the Company gave an explanation to us on the problems which were discovered during auditing and the events, which needed adjusting, and the Company conducted corresponding adjustment based on the opinion of the annual audit institution.

We didn't have objection to the Financial Accounting Statements 2014 of the Company audited preliminarily by Ruihua Certified Public Accountants.

(7) It deliberated the Financial Statements 2014 after the auditing by annual audit institution, and issued the resolution of the Financial Accounting Statements 2014 of the Company, with details as follows:

After careful checking by members of the Financial Audit Committee, we have no objection to the standard unqualified Auditors' Report 2014 of the Company issued by Ruihua Certified Public Accountants.

(8) It issued the Summery Report on the Annual Auditing 2014 by RSM China Certified Public Accountants.

According to the requirement of relevant documents like Work Rules for the Financial Audit Committee under the Board, it summarizes the annual auditing 2014 of the Company by the CPAs as follows:

Ruihua Certified Public Accountants (hereafter refers to CPA firm) had audited and evaluated the financial condition of Konka Group in 2014, mainly concerning audit assessment on financial condition, annual operation, and cash flows at the end of 2014, as well as special explanation on fund occupation of controlling shareholders of the Company and its related parities. During the annual audit, the Financial Audit Committee followed up and cooperated when necessary. After the annual auditing, the CPA firm issued a standard audit report with clean opinion on paper as to the annual auditing of the Company.

A. General information

The CPAs communicated with the Board of Directors and the management team of the Company and signed the audit engagement with the Company. After negotiation between the Committee and

CPAs firm, the overall time schedule of audit on Annual Financial Report 2014 was determined. During field audit of the audit team, the Committee fully communicated with the CPAs, and urged the CPAs to submit the audit report within the agreed time limit.

The audit team worked efficiently and conscientiously to accomplish all audit procedures within the time limit according to the schedule of the audit plan, acquired enough and proper audit evidences, and submitted an audit report with standard unqualified opinion.

B. Professional ethics of accountants in the CPAs executing annual audit

During the audit, except for the payment agreed in the audit contract, the CPAs firm did not obtain any other cash or economic benefit in any other form from the Company. There’s no direct or indirect mutual investment, or close business relationship between the CPAs and the Company, nor there any relation between members of the audit team and decision-making staffs of the Company. During the audit, the CPAs firm and the audit team maintained independence in form and substance, and obeyed requirements concerning keeping independency in basic principles of obeying professional ethics from the beginning to the end.

The members of the audit team had professional knowledge and relevant professional certificates that were needed to take on the audit, were competent for the audit, and were able to maintain due concern and professional prudence.

C. Opinion about the audit plan

During the audit of Y2014, the Committee fully negotiated with the CPAs. On that basis, the audit team complied with the overall audit strategy and specific audit plan, which made full preparation for accomplishment of audit assignments and reduction of audit risks.

D. Appraisal on the execution of detailed auditing procedures

Based on appraising the completeness of internal control, rationality of design and effectiveness of operation, the CPAs firm decided the controlling test procedures and substantive test procedures to be implemented, so as to gain the necessary auditing evidence for issuing the audit opinion.

E. Communication during the auditing

During the audit, the members of the audit team and the Company kept sustainable and sufficient communication, which resulted in a more mature judgment for the auditor to give a fair audit conclusion.

F. Reply to the supervision letter and inquiry

During the auditing, the Committee fully communicated and exchanged opinions with the CPAs on the problems occurring during the auditing, and sent the Supervision Letter of Urging the CPAs to Submit the Auditor’s Report on Time, to urge the CPAs responsible for annual auditing to speed up the pace and improve the efficiency so as to accomplish the auditor’s report as scheduled; The CPAs gave positive response to the supervision letters and the inquiry.

G. Assessment of audit work executed by the CPAs

During the period of serving as the audit firm of the Company and providing the audit service, Ruihua Certified Public Accountants adhered to conduct independent audit with objective and fair attitude, and it better executed the responsibilities and duties stipulated in the Business Agreement, as well as completed the audit work timely. The Audit Committee expressed satisfaction towards the audit work in 2014 conducted by Ruihua Certified Public Accountants.

(9) It issued the resolution of engagement of CPAs in 2015, with details as follows:

Since Ruihua Certified Public Accountants provided the Company with its professional auditing service based on its approved professional etiquette, rigorous work style and upper occupational level in annual audit of Financial Statements 2014 of the Company, the Committee suggested continuing engaging Ruihua Certified Public Accountants as the audit institution for the Financial Statement 2015 of the Company.

(II) Summary report on the performance of the Remuneration Committee subject to the Board of Directors

The Remuneration and Appraisal Committee under the Board of Directors was composed of three Directors, two Independent Directors and one Non-Independent Director. Mr. Feng Yutao, the Independent Director, held the post of Chairman.

Within the reporting period, the Remuneration and Appraisal Committee examined the remuneration of Directors, Supervisors and Senior Management Staff, and expressed opinions as follows:

1. The remuneration of Directors, Supervisors and Senior Management Staff of the Company disclosed in the Annual Report 2014 was in line with the actual situation.

2. The disclosed remuneration of the Company's Directors, Supervisors and Senior Management Staff complied with the remuneration management system of the Company, and no breach of the remuneration management system occurred in the Company.

V. Performance of the Supervisory Committee

Whether the Supervisory Committee finds the Company existing risks or not in the supervisory activities during the reporting period?

□ Yes √ No

The Supervisory Committee has no objection on the supervised events during the reporting period

VI. Particulars about the Company's "five-separation" from the controlling shareholder in respect of business, personnel, assets, organization and financing

Within the reporting period, the Company was highly independent in terms of business, staff, assets, organs and finance from its controlling shareholders, which owned independent legal representative and main status in market competition, and had independent accounting, as well as possessed complete business system and the ability of independent operation to face the market.

(I) Business: the Company owned complete supply, R&D, production and sales system, possessed ability of independent operation to face the market by independent operation, independent accounting & decision-making, independent bearing responsibility & risks, didn't subject to the interference and control of the controlling shareholders, actual controller and its controlled enterprises.

(II) Staff: the Company was independent of the controlling shareholder with respect to labor, personnel and salaries management. The Company owned independent team of staffs, the senior management staffs, financial personnel and business personnel received their remunerations in the Company, they were full-time staffs of the Company without holding any post except directors and supervisors in shareholders' units or other related enterprises.

(III) Assets integrity: the Company had places of production and operation completely separated from the controlling shareholder, and the unaffiliated and integral assets structure, as well as the independent production system, ancillary production system, the ancillary facilities, house property right and other assets, which also possessed independent procurement and sales system.

(IV) Organ: the Company had its own functional organs adapting to the needs of self-development and market competitiveness, all the functional organs were separated from each other in aspects of personnel, office premises and management rules, etc., there existed no particulars about any shareholders, other units or individuals interfering the organ setting of the Company.

(V) Finance: the Company established an independent finance department with full-time financial personnel and an independent finance and accounting system, and independently carried out the financial work in line with requirements of relevant accounting rules; the Company promulgated sound financial management system to operate independently without sharing the common account with the controlling shareholder, related enterprise, other units or individual; the Company independently declared and paid the tax by laws without particulars on paying taxes together with shareholders' units.

VII. Particulars about horizontal competitions and related-party transactions

□ Applicable √ Inapplicable

VIII. Appraisal and incentive mechanism for senior management staffs

In order to enable the senior management staffs of the Company give better performance of their duties, and clarify their rights and obligations, the Company established and improved a fair, transparent and efficient Performance Appraisal Standard and Incentive & Restraint Mechanism for the senior management staffs. The Company assessed the duty performance and completion of business of senior management staffs in terms of professional skills, management level and job performance; took the salary plus bonus as a main incentive way, to improve the incentive of senior management. The senior management staff was appraised by the Board of Directors, which was supervised by the Supervisory Committee.

Section X. Internal Control

I. Construction of internal control of the Company

As one of the key companies in implementing the pilot for internal control standards in Shenzhen for 2011, the Company carefully understood the basic standards of internal control and relevant guidelines, and actively deployed and carried out the work, as well as implemented detailed requirements. In 2014, based on continuously deepening the construction of internal control system and extending the scope of internal control system, the Company assessed the risks, specially combed the significant risk points and procedures. At current, the Company has completed the construction of internal control system and self-appraisal of internal control.

In order to increase the quality of the self-appraisal work on internal control, the Company’s internal control department and internal auditing department appraised the overview of the Company in Oct. 2014 and integrated the construction situation on internal control, the Company drafted the self-appraisal plan on internal control and recognition standards of defects, and promulgated the unified template of the work paper for self-appraisal on internal control to standardize the work. And the self-appraisal team of the internal control appraised relevant units according to the plan and formed the work paper. And the Company’ s internal auditing department summarized the work paper of various business, and issued the Self-appraisal Report on Internal Control for 2014, which was submitted to the Board of Directors for review and approval.

Ruihua Certified Public Accountants audited the internal control of the Company in 2014, and issued the Auditor’s Report on Internal Control of Konka Group Co., Ltd.

II. Statement of the Board of Directors on its responsibilities towards internal control

According to the regulations of the Internal Control Standard System, it is a responsibility of the Board of Directors to establish, to perfect and to carry out internal control and to evaluate its validity as well as to truthfully disclose the Internal Control Assessment Report; and the Supervisory Committee to conduct supervision to the establishment and execution of internal control by the Board, a responsibility of the management level to in charge of gathering and leading daily operation of internal control. The Board of Directors, the Board of Supervisors, Directors, Supervisors and the Senior Executives of the Company commits that the report does not contain any false or misleading statements or omit any material facts, and ensures the authenticity, accuracy and completeness of the report.

The goal of internal control of the Company is reasonably to assure the legality of operation, assets security, truthfulness and completeness of financial report and relevant information, promote efficiency and results of operation, advanced the achievement of development strategy of the Company. In terms of the inborn restriction of internal control, the Company can only provide reasonable guarantee to the above mentioned goals. Moreover, situation changes would result in improper internal control or reducing the execution of controlling policies and procedures. It is risky to predict the effectiveness of future internal control according to evaluation results of internal control.

III. Basis on establishing the internal control for financial report

The Company has established the internal control of financial report according to Basic Standard for Enterprise Internal Control and supporting stipulations and other internal control supervision requirements.

IV. Self-appraisal report on internal control

Particulars about significant defects of internal control found during the reporting period in the self-appraisal report on internal control	
According to the affirmation of material weakness in internal control of financial report, on the base date of internal control evaluation, no material weakness exists in financial report. The Board of Directors considered that the Company has maintained effective internal control of financial report according to enterprise internal control normative system and relevant regulations. According to the affirmation of material weakness in internal control of non-financial report, on the base date of internal control evaluation, no material weakness exists in non-financial report. From the base date of internal control evaluation to the date of issuance of internal control evaluation report, no factors of evaluation conclusions exist to affect the effectiveness of internal control.	
Disclosure date of the Self-appraisal Report on Internal Control	3 Apr. 2015
Disclosure index of the Self-appraisal Report on Internal Control	http://www.cninfo.com.cn/information/companyinfo.html

V. Auditor's report or verification report on internal control

Internal control audit report

Audit opinion paragraph in the Auditor's Report for the Internal Control	
We considered that, the Konka Group Co., Ltd. maintained effective financial report internal control on all of the significant aspects according to the Basic Standard of Enterprise Internal Control and relevant regulations on 31 Dec. 2014.	
Disclosure date of the Auditor's Report on Internal Control	3 Apr. 2015
Disclosure index of the Auditor's Report on Internal Control	http://www.cninfo.com.cn/information/companyinfo.html

Whether the CPAs firm issues an Auditor's Report on Internal Control with non-standard opinion or not?

□ Yes √ No

Whether the Auditor's Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

√ Yes □ No

VI. Establishment and execution of rules of accountability for significant mistakes in annual report information disclosure

In order to improve the enterprise standard operating level and increase the accountability for the responsible persons of annual report information disclosure and improve the quality and increase the transparency of information disclosure, enhance the authenticity, accuracy, completeness and promptness, the Konka Group has determined to formulate Rules of Accountability for Significant Mistakes in Annual Report Information Disclosure of Konka Group Co., Ltd. after examination of the 39^{th} Session of the 6^{th} Board of Directors of Konka Group Co., Ltd.

During the reporting period, no major mistakes on information disclosure for the annual report occurred in the company.

During the reporting period, no amendment on major accounting mistakes occurred.

During the reporting period, no replenishment on major omitting information occurred.

During the reporting period, no revision on performance announcement in advance occurred.

Section XI. Financial Report

I. Auditor's report

Type of audit opinion	Standard unqualified audit opinion
Date for signing the auditor's report	1 Apr. 2015
Name of the audit firm	Ruihua CPAs (LLP)
Document Number of the auditor's report	R-H-S-Z [2015] No.44040016
Name of the CPA.	Liu Jianhua, Tang Qimei

Auditor's Report

To the shareholders of Konka Group Co., Ltd.,

We have audited the accompanying financial statements of Konka Group Co., Ltd. (hereafter referred to as "the Company") and its subsidiaries (hereafter referred to as "the Group" in general) which comprise the consolidated and company's balance sheets as at 31 Dec. 2014, and the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in owners' equity for the year then ended and notes to these financial statements.

I. Management's Responsibility for the Financial Statements

The management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes: (1) preparing financial statements according to the Accounting Standards for Business Enterprises and make them a fair presentation; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements and fair statement in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Audit opinion

In our opinion, the financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects and give a fair view of the Company and its subsidiaries' consolidated financial positions as at 31 Dec. 2014 and the consolidated business results and cash flows for the year then ended, as well as the Company's financial positions as at 31 Dec. 2014 and business results and cash flows for the year then ended.

CPA: Ruihua Certified Public Accountants (LLP)

CPA:

China • Beijing

1 Apr. 2015

II. Financial statements

Monetary unit of notes to financial statements: RMB Yuan

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

Unit: RMB Yuan

Item	31 Dec. 2014	31 Dec. 2013
Current Assets:		
Monetary funds	1, 703, 135, 732. 18	1, 843, 743, 089. 94
Settlement reserves		
Intra-group lendings		
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	3, 819, 417, 076. 37	4, 150, 779, 374. 32
Accounts receivable	2, 259, 293, 207. 16	2, 460, 996, 984. 92
Accounts paid in advance	315, 150, 044. 57	164, 272, 929. 59
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	1, 885, 727. 36	2, 898, 419. 90
Dividend receivable		
Other accounts receivable	298, 975, 391. 68	298, 749, 414. 95
Financial assets purchased under agreements to resell		

Inventories	3,904,436,250.33	3,582,669,024.26
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	568,020,200.48	
Total current assets	12,870,313,630.13	12,504,109,237.88
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	245,033,609.00	11,894,999.30
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	362,765,183.66	436,017,471.50
Investing real estate	233,349,452.80	237,986,524.12
Fixed assets	1,783,695,548.92	1,908,503,979.80
Construction in progress	159,604,884.09	49,924,027.97
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	347,626,130.58	359,585,571.12
R&D expense		
Goodwill	3,597,657.15	3,943,671.53
Long-term deferred expenses	25,792,805.06	13,405,084.94
Deferred income tax assets	259,516,396.26	218,728,739.41
Other non-current assets	488,063,979.00	
Total of non-current assets	3,909,045,646.52	3,239,990,069.69
Total assets	16,779,359,276.65	15,744,099,307.57
Current liabilities:		
Short-term borrowings	5,145,712,436.91	5,239,069,764.48
Borrowings from Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-group borrowings		
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		

Derivative financial liabilities		
Notes payable	911, 355, 028. 47	565, 137, 790. 84
Accounts payable	3, 144, 408, 433. 93	3, 341, 804, 144. 12
Accounts received in advance	302, 904, 453. 86	482, 716, 035. 68
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	299, 272, 715. 05	332, 090, 987. 76
Tax payable	112, 557, 005. 85	-94, 670, 496. 91
Interest payable	22, 872, 418. 43	34, 945, 870. 48
Dividend payable		
Other accounts payable	1, 376, 803, 381. 03	1, 391, 396, 130. 97
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within 1 year	1, 525, 465. 53	1, 755, 444. 00
Other current liabilities		
Total current liabilities	11, 317, 411, 339. 06	11, 294, 245, 671. 42
Non-current liabilities:		
Long-term borrowings	957, 541, 210. 52	5, 000, 000. 00
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables	30, 029, 990. 10	31, 366, 530. 13
Long-term payroll payables	28, 554, 734. 16	
Specific payables		
Estimated liabilities		911, 085. 41
Deferred income	147, 315, 999. 02	131, 658, 369. 11
Deferred income tax liabilities	1, 049, 498. 77	
Other non-current liabilities		
Total non-current liabilities	1, 164, 491, 432. 57	168, 935, 984. 65
Total liabilities	12, 481, 902, 771. 63	11, 463, 181, 656. 07

Owners' equity:		
Share capital	1, 203, 972, 704. 00	1, 203, 972, 704. 00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	1, 289, 403, 563. 99	1, 314, 409, 687. 82
Less: Treasury stock		
Other comprehensive income	16, 171, 477. 91	16, 179, 316. 17
Specific reserves		
Surplus reserves	847, 908, 466. 28	847, 908, 466. 28
Provisions for general risks		
Retained profits	746, 022, 758. 89	705, 438, 958. 07
Total equity attributable to owners of the Company	4, 103, 478, 971. 07	4, 087, 909, 132. 34
Minority interests	193, 977, 533. 95	193, 008, 519. 16
Total owners' equity	4, 297, 456, 505. 02	4, 280, 917, 651. 50
Total liabilities and owners' equity	16, 779, 359, 276. 65	15, 744, 099, 307. 57

Legal representative: Chen Yuehua Chief of the accounting work: Huang Zhiqiang

Chief of the accounting organ: Xu Youshan

2. Balance sheet of the Company

Unit: RMB Yuan

Item	31 Dec. 2014	31 Dec. 2013
Current Assets:		
Monetary funds	993, 131, 773. 08	1, 118, 577, 010. 98
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	3, 664, 117, 423. 56	3, 963, 969, 934. 07
Accounts receivable	1, 539, 295, 976. 29	1, 543, 050, 476. 67
Accounts paid in advance	349, 343, 179. 42	239, 011, 903. 60
Interest receivable	14, 450, 153. 53	12, 151, 753. 22
Dividend receivable		
Other accounts receivable	988, 199, 630. 05	668, 297, 184. 77
Inventories	2, 500, 537, 916. 63	2, 333, 107, 085. 15
Assets held for sale		

Non-current assets due within 1 year		
Other current assets	201, 280, 204. 53	
Total current assets	10, 250, 356, 257. 09	9, 878, 165, 348. 46
Non-current assets:		
Available-for-sale financial assets	218, 983, 609. 00	11, 894, 999. 30
Held-to-maturity investments	600, 000, 000. 00	505, 000, 000. 00
Long-term accounts receivable		
Long-term equity investment	1, 608, 674, 456. 09	1, 664, 346, 526. 82
Investing real estate	233, 349, 452. 80	237, 986, 524. 12
Fixed assets	534, 363, 754. 80	599, 950, 784. 99
Construction in progress	37, 567, 861. 10	8, 713, 508. 63
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	76, 397, 532. 51	76, 133, 522. 45
R&D expense		
Goodwill		
Long-term deferred expenses	14, 567, 206. 83	4, 597, 304. 79
Deferred income tax assets	244, 080, 035. 45	183, 062, 820. 76
Other non-current assets		
Total of non-current assets	3, 567, 983, 908. 58	3, 291, 685, 991. 86
Total assets	13, 818, 340, 165. 67	13, 169, 851, 340. 32
Current liabilities:		
Short-term borrowings	244, 808, 594. 52	1, 023, 913, 426. 22
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	367, 803, 372. 65	190, 949, 990. 17
Accounts payable	7, 871, 208, 959. 66	6, 320, 384, 438. 01
Accounts received in advance	190, 627, 895. 21	186, 326, 967. 62
Payroll payable	146, 758, 331. 08	187, 697, 895. 87
Tax payable	5, 081, 943. 95	-92, 265, 968. 33
Interest payable	5, 406, 211. 20	21, 189, 076. 79
Dividend payable		

Other accounts payable	1, 103, 672, 772. 19	1, 243, 478, 983. 84
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	9, 935, 368, 080. 46	9, 081, 674, 810. 19
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	80, 679, 738. 96	74, 192, 786. 56
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	80, 679, 738. 96	74, 192, 786. 56
Total liabilities	10, 016, 047, 819. 42	9, 155, 867, 596. 75
Owners' equity:		
Share capital	1, 203, 972, 704. 00	1, 203, 972, 704. 00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	1, 250, 283, 488. 79	1, 250, 133, 590. 04
Less: Treasury stock		
Other comprehensive income	471, 827. 51	
Specific reserves		
Surplus reserves	847, 908, 466. 28	847, 908, 466. 28
Retained profits	499, 655, 859. 67	711, 968, 983. 25
Total owners' equity	3, 802, 292, 346. 25	4, 013, 983, 743. 57
Total liabilities and owners' equity	13, 818, 340, 165. 67	13, 169, 851, 340. 32

3. Consolidated income statement

Unit: RMB Yuan

Item	2014	2013
I. Total operating revenues	19, 423, 488, 994. 07	20, 006, 736, 878. 82
Including: Sales income	19, 423, 488, 994. 07	20, 006, 736, 878. 82
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	20, 169, 975, 385. 57	20, 131, 217, 931. 64
Including: Cost of sales	16, 733, 746, 581. 45	16, 660, 981, 623. 13
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	60, 527, 648. 50	66, 486, 229. 01
Selling and distribution expenses	2, 414, 468, 187. 73	2, 548, 603, 146. 99
Administrative expenses	686, 930, 373. 50	674, 386, 382. 45
Financial expenses	132, 763, 824. 46	-59, 637, 103. 92
Asset impairment loss	141, 538, 769. 93	240, 397, 653. 98
Add: Gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	596, 873, 633. 39	53, 519, 594. 98
Including: share of profits in associates and joint ventures	316, 248, 002. 07	-12, 083, 013. 71
Foreign exchange gains ("-" means loss)		
III. Business profit ("-" means loss)	-149, 612, 758. 11	-70, 961, 457. 84
Add: non-operating income	258, 877, 423. 01	274, 574, 465. 25
Including: Gains on disposal of non-current assets	4, 740, 033. 90	12, 490, 980. 31
Less: non-operating expense	16, 884, 982. 71	23, 017, 661. 08
Including: Losses on disposal of non-current assets	9, 752, 806. 72	14, 360, 857. 36
IV. Total profit ("-" means loss)	92, 379, 682. 19	180, 595, 346. 33
Less: Income tax expense	31, 854, 983. 02	122, 216, 964. 78
V. Net profit ("-" means loss)	60, 524, 699. 17	58, 378, 381. 55

Net profit attributable to owners of the Company	52, 623, 527. 86	45, 820, 496. 73
Minority shareholders' income	7, 901, 171. 31	12, 557, 884. 82
VI. After-tax net amount of other comprehensive incomes	56, 503. 90	2, 555, 064. 00
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-7, 838. 26	2, 601, 149. 55
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-7, 838. 26	2, 601, 149. 55
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	516, 457. 28	
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	-524, 295. 54	2, 601, 149. 55
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders	64, 342. 16	-46, 085. 55
VII. Total comprehensive incomes	60, 581, 203. 07	60, 933, 445. 55
Attributable to owners of the Company	52, 615, 689. 60	48, 421, 646. 28
Attributable to minority shareholders	7, 965, 513. 47	12, 511, 799. 27
VIII. Earnings per share		
(I) Basic earnings per share	0. 0437	0. 0381
(II) Diluted earnings per share	0. 0437	0. 0381

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 RMB 0, with the corresponding amount for the last period being RMB 0.

Legal representative: Chen Yuehua Chief of the accounting work: Huang Zhiqiang

Chief of the accounting organ: Xu Youshan

4. Income statement of the Company

Unit: RMB Yuan

Item	2014	2013
I. Total sales	18, 252, 320, 333. 18	21, 088, 709, 589. 78
Less: cost of sales	16, 442, 313, 600. 22	18, 567, 798, 472. 02
Business taxes and surcharges	28, 791, 258. 57	41, 392, 084. 79
Distribution expenses	1, 891, 815, 304. 69	1, 966, 043, 135. 65
Administrative expenses	445, 985, 722. 14	391, 582, 455. 68
Financial costs	57, 149, 270. 99	-4, 691, 473. 89
Impairment loss	85, 152, 922. 15	148, 223, 458. 29
Add: gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	290, 855, 952. 74	101, 015, 674. 49
Including: income form investment on associates and joint ventures	-3, 679, 122. 32	-1, 317, 643. 05
II. Business profit ("-" means loss)	-408, 031, 792. 84	79, 377, 131. 73
Add: non-operating income	157, 529, 049. 56	186, 103, 507. 58
Including: Gains on disposal of non-current assets	3, 914, 114. 70	4, 610, 114. 75
Less: non-operating expense	9, 394, 570. 77	11, 123, 290. 82
Including: Losses on disposal of non-current assets	3, 786, 518. 44	4, 610, 114. 75
III. Total profit ("-" means loss)	-259, 897, 314. 05	254, 357, 348. 49
Less: Income tax expense	-59, 623, 917. 51	48, 184, 760. 89
IV. Net profit ("-" means loss)	-200, 273, 396. 54	206, 172, 587. 60
V. After-tax net amount of other comprehensive incomes	471, 827. 51	
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other		

comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	471,827.51	
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	516,457.27	
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference	-44,629.76	
6. Other		
VI. Total comprehensive incomes	-199,801,569.03	206,172,587.60
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB Yuan

Item	2014	2013
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	17,605,044,169.07	19,149,831,826.42
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		

Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	467, 637, 201. 00	445, 649, 913. 63
Other cash received relating to operating activities	391, 719, 282. 33	399, 682, 475. 55
Subtotal of cash inflows from operating activities	18, 464, 400, 652. 40	19, 995, 164, 215. 60
Cash paid for goods and services	15, 492, 774, 772. 37	13, 716, 426, 040. 28
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	1, 747, 390, 336. 65	1, 720, 868, 462. 67
Various taxes paid	685, 636, 270. 36	871, 996, 380. 86
Other cash payment relating to operating activities	1, 178, 984, 455. 07	1, 402, 619, 130. 90
Subtotal of cash outflows from operating activities	19, 104, 785, 834. 45	17, 711, 910, 014. 71
Net cash flows from operating activities	-640, 385, 182. 05	2, 283, 254, 200. 89
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	50, 968, 907. 04	15, 172, 260. 00
Cash received from return on investments	334, 535, 622. 04	3, 048, 179. 22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8, 858, 019. 23	31, 815, 716. 67
Net cash received from disposal of subsidiaries or other business units	285, 401, 846. 77	15, 589, 409. 93
Other cash received relating to investing activities	2, 424, 872, 043. 31	

Subtotal of cash inflows from investing activities	3, 104, 636, 438. 39	65, 625, 565. 82
Cash paid to acquire fixed assets, intangible assets and other long-term assets	750, 959, 942. 15	289, 680, 969. 24
Cash paid for investment	249, 170, 764. 00	
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	2, 473, 083, 497. 35	
Subtotal of cash outflows from investing activities	3, 473, 214, 203. 50	289, 680, 969. 24
Net cash flows from investing activities	-368, 577, 765. 11	-224, 055, 403. 42
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	15, 700, 000. 00	
Including: Cash received from minority shareholder investments by subsidiaries	15, 700, 000. 00	
Cash received from borrowings	4, 234, 914, 268. 82	4, 446, 790, 462. 43
Cash received from issuance of bonds		
Other cash received relating to financing activities	576, 957, 141. 70	1, 373, 173, 635. 00
Subtotal of cash inflows from financing activities	4, 827, 571, 410. 52	5, 819, 964, 097. 43
Repayment of borrowings	3, 208, 016, 241. 44	6, 328, 759, 973. 89
Cash paid for interest expenses and distribution of dividends or profit	116, 250, 848. 36	113, 539, 680. 93
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	623, 498, 389. 16	514, 212, 344. 46
Sub-total of cash outflows from financing activities	3, 947, 765, 478. 96	6, 956, 511, 999. 28
Net cash flows from financing activities	879, 805, 931. 56	-1, 136, 547, 901. 85
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-2, 095, 568. 53	24, 795, 356. 22
V. Net increase in cash and cash equivalents	-131, 252, 584. 13	947, 446, 251. 84
Add: Opening balance of cash and cash equivalents	1, 771, 489, 421. 21	824, 043, 169. 37
VI. Closing balance of cash and cash equivalents	1, 640, 236, 837. 08	1, 771, 489, 421. 21

6. Cash flow statement of the Company

Unit: RMB Yuan

Item	2014	2013
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	12, 298, 684, 620. 60	15, 536, 885, 920. 45
Tax refunds received	223, 273, 103. 54	306, 475, 465. 74
Other cash received relating to operating activities	739, 787, 761. 18	222, 292, 296. 60
Subtotal of cash inflows from operating activities	13, 261, 745, 485. 32	16, 065, 653, 682. 79
Cash paid for goods and services	10, 722, 090, 404. 58	10, 752, 636, 021. 84
Cash paid to and for employees	942, 834, 651. 48	899, 546, 170. 04
Various taxes paid	296, 880, 208. 93	429, 678, 415. 71
Other cash payment relating to operating activities	1, 840, 153, 779. 28	1, 240, 775, 472. 49
Subtotal of cash outflows from operating activities	13, 801, 959, 044. 27	13, 322, 636, 080. 08
Net cash flows from operating activities	-540, 213, 558. 95	2, 743, 017, 602. 71
II. Cash flows from investing activities:		
Cash received from retraction of investments		20, 818, 708. 75
Cash received from return on investments	41, 767, 052. 88	20, 775, 384. 81
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	7, 769, 133. 70	23, 612, 029. 68
Net cash received from disposal of subsidiaries or other business units	301, 267, 191. 25	
Other cash received relating to investing activities	2, 403, 472, 043. 31	395, 000, 000. 00
Subtotal of cash inflows from investing activities	2, 754, 275, 421. 14	460, 206, 123. 24
Cash paid to acquire fixed assets, intangible assets and other long-term assets	89, 183, 657. 42	127, 592, 493. 28
Cash paid for investment	215, 523, 300. 00	
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	2, 496, 000, 000. 00	505, 000, 000. 00

Subtotal of cash outflows from investing activities	2, 800, 706, 957. 42	632, 592, 493. 28
Net cash flows from investing activities	-46, 431, 536. 28	-172, 386, 370. 04
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings		336, 991, 724. 88
Cash received from issuance of bonds		
Other cash received relating to financing activities	1, 094, 702, 763. 15	1, 373, 173, 635. 00
Subtotal of cash inflows from financing activities	1, 094, 702, 763. 15	1, 710, 165, 359. 88
Repayment of borrowings		2, 958, 578, 227. 90
Cash paid for interest expenses and distribution of dividends or profit	12, 852, 947. 28	73, 643, 572. 75
Other cash payments relating to financing activities	617, 810, 454. 06	509, 442, 099. 71
Sub-total of cash outflows from financing activities	630, 663, 401. 34	3, 541, 663, 900. 36
Net cash flows from financing activities	464, 039, 361. 81	-1, 831, 498, 540. 48
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-3, 624, 119. 12	12, 665, 335. 22
V. Net increase in cash and cash equivalents	-126, 229, 852. 54	751, 798, 027. 41
Add: Opening balance of cash and cash equivalents	1, 117, 689, 643. 16	365, 891, 615. 75
VI. Closing balance of cash and cash equivalents	991, 459, 790. 62	1, 117, 689, 643. 16

7. Consolidated statement of changes in owners' equity

2014

Unit: RMB Yuan

Item	2014												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
		Preferred shares	Perpetual bonds	Other									
I. Balance at the end of the previous year	1, 203, 972, 704. 00				1, 314, 409, 687. 82		16, 179, 316. 17		847, 908, 466. 28		705, 438, 958. 07	193, 008, 519. 16	4, 280, 917, 651. 50
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the	1, 203, 972, 704. 00				1, 314, 409, 687. 82		16, 179, 316. 17		847, 908, 466. 28		705, 438, 958. 07	193, 008, 519. 16	4, 280, 917, 651. 50

beginning of the year													
III. Increase/ decrease in the period ("-" means decrease)					-25,006,123.83		-7,838.26				40,583,800.82	969,014.79	16,538,853.52
(I) Total comprehensive incomes							-7,838.26				52,623,527.86	7,965,513.47	60,581,203.07
(II) Capital increased and reduced by owners												-6,996,498.68	-6,996,498.68
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Other												-6,996,498.68	-6,996,498.68
(III) Profit distribution											-12,039,727.04		-12,039,727.04
1.													

Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-12,039,727.04		-12,039,727.04
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													

(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other					-25, 006, 123. 83								-25, 006, 123. 83
IV. Closing balance	1, 203, 972, 704. 00				1, 289, 403, 563. 99		16, 171, 477. 91		847, 908, 466. 28		746, 022, 758. 89	193, 977, 533. 95	4, 297, 456, 505. 02

2013

Unit: RMB Yuan

Item	2013												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
		Preferred shares	Perpetual bonds	Other									
I. Balance at the end of the previous year	1, 203, 972, 704. 00				1, 272, 420, 328. 47		14, 421, 594. 77		827, 291, 207. 52		725, 485, 704. 10	203, 256, 243. 27	4, 246, 847, 782. 13
Add: change of accounting policy					38, 566, 645. 60		-843, 428. 15				-33, 210, 256. 96	-4, 512, 960. 49	0. 00
Correction of errors in previous periods													

Business mergers under the same control													
Other													
II. Balance at the beginning of the year	1,203,972,704.00				1,310,986,974.07		13,578,166.62		827,291,207.52		692,275,447.14	198,743,282.78	4,246,847,782.13
III. Increase/ decrease in the period ("-" means decrease)					3,422,713.75		2,601,149.55		20,617,258.76		13,163,510.93	-5,734,763.62	34,069,869.37
(I) Total comprehensive incomes							2,601,149.55				45,820,496.73	12,511,799.27	60,933,445.55
(II) Capital increased and reduced by owners												-18,246,562.89	-18,246,562.89
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in													

owners' equity													
4. Other												-18,246,562.89	-18,246,562.89
(III) Profit distribution									20,617,258.76		-32,656,985.80		-12,039,727.04
1. Appropriations to surplus reserves									20,617,258.76		-20,617,258.76		
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-12,039,727.04		-12,039,727.04
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus													

reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other					3, 422, 713. 75								3, 422, 713. 75
IV. Closing balance	1, 203, 972, 704. 00				1, 314, 409, 687. 82		16, 179, 316. 17		847, 908, 466. 28		705, 438, 958. 07	193, 008, 519. 16	4, 280, 917, 651. 50

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

2014

Unit: RMB Yuan

Item	2014										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							

I. Balance at the end of the previous year	1,203,972,704.00				1,250,133,590.04				847,908,466.28	711,968,983.25	4,013,983,743.57
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	1,203,972,704.00				1,250,133,590.04				847,908,466.28	711,968,983.25	4,013,983,743.57
III. Increase/ decrease in the period ("-" means decrease)					149,898.75		471,827.51			-212,313,123.58	-211,691,397.32
(I) Total comprehensive incomes							471,827.51			-200,273,396.54	-199,801,569.03
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution										-12,039,727.04	-12,039,727.04
1. Appropriations to surplus reserves											
2. Appropriations to owners										-12,039,727.04	-12,039,727.04

(or shareholders)											
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other					149,898.75						149,898.75
IV. Closing balance	1,203,972,704.00				1,250,283,488.79		471,827.51		847,908,466.28	499,655,859.67	3,802,292,346.25

2013

Unit: RMB Yuan

Item	2013										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred share	Perpetual bond	Other							

		s	s								
I. Balance at the end of the previous year	1,203,972,704.00				1,249,290,161.88				827,291,207.52	538,453,381.45	3,819,007,454.85
Add: change of accounting policy					843,428.16		-843,428.16				
Correction of errors in previous periods											
Other											
II. Balance at the beginning of the year	1,203,972,704.00				1,250,133,590.04		-843,428.16		827,291,207.52	538,453,381.45	3,819,007,454.85
III. Increase/ decrease in the period ("-" means decrease)							843,428.16		20,617,258.76	173,515,601.80	194,976,288.72
(I) Total comprehensive incomes							843,428.16			206,172,587.60	207,016,015.76
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution									20,617,258.76	-32,656,985.80	-12,039,727.04
1. Appropriations to surplus reserves									20,617,258.76	-20,617,258.76	
2. Appropriations to owners (or										-12,039,727.04	-12,039,727.04

shareholders)											
3. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV. Closing balance	1,203,972,704.00				1,250,133,590.04				847,908,466.28	711,968,983.25	4,013,983,743.57

Konka Group Co., Ltd.
Notes of 2014 Financial Statement

(Monetary unit is RMB Yuan unless otherwise stated)

I. Company Profile

1. Establishment

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

2. Share Capital Changes upon Establishment

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

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

On April 10, 1993, the Proposal on Profit Distribution and Dividend Payout 1992 was adopted at the second general meeting of shareholders of the Company. With approval from the SZBF No. 2 [1993] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY 1992 as of April 30, 1993: distributing 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 1994 interim general meeting of shareholders of the Company. With approval from the SZBF No. 224 [1994] document as issued by Shenzhen Securities Regulatory Office, the 16,930,305 bonus shares for FY 1992 granted to foreign legal persons were listed and negotiated at B-share market on October 26, 1994.

On February 6, 1996, the Proposal on Share Allotment Modes 1996 was adopted at the 1996 interim general metering of shareholders of the Company. With approval from the SZBF No. 5 [1996] document as issued by Shenzhen Securities Regulatory Office, and reexamination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on July 16, 1996 and October 29, 1996, all shareholders were respectively allotted three shares for every ten existing shares held at 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 shares after this allotment.

On January 25, 1998, the Plan on Share Allotment 1998 was adopted at the 1998 interim general meeting of shareholders of the Company. With approval from the ZZBZ No. 29 [1998] document as issued by Shenzhen Securities Regulatory Office, and ZJSZ No.64 [1998] document as issued by China Securities Regulatory Commission, on July 15, 1998, negotiable A-shares were allotted in proportion of 3:10 at 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 shares after this capitalization.

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

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

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

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 parent company, as well as the actual controller of the Company is Overseas Chinese Town Group Co., Ltd., and the ultimate controller is the State-owned Assets Supervision and Administration Commission of the State Council.

5. The financial statements of the Company were submitted upon approval of the Board of Directors on 1 Apr. 2015.

6. There were 39 subsidiaries included in the consolidation scope of 2014 of the Company, and please refer to the Notes VIII. “Equities among other entities” for details. There were 3 subsidiaries increased and 2 decreased in the consolidation scope of 2014 over the last year of the Company, and please refer to the Notes VII. “Changes of the consolidation scope” for details.

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

Corporate name	Abbreviation
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Video & Communication Systems Engineering
Shenzhen Konka Precision Mold Manufacturing Co., Ltd.	Precision Mold
Shenzhen Konka Electronic Co., Ltd.	Konka Electronic
Shenzhen Konka Information Network Co., Ltd.	Information Network
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Konka Housing Appliances Co., Ltd.	Housing Appliances
Shenzhen Electronic Fittings Technology Co., Ltd.	Fittings Technology
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang Appliances
Shaanxi Konka Electronic Co., Ltd.	Shaanxi Konka

Corporate name	Abbreviation
Chongqing Konka Electronic Co., Ltd.	Chongqing Konka
Chongqing Konka Automotive Electronic Co., Ltd.	Chongqing Electronic
Chongqing Qingjia Electronics Co., Ltd.	Chongqing Qingjia
Anhui Konka Electronic Co., Ltd.	Anhui Konka
Anhui Konka Household Appliances Co., Ltd.	Anhui Household Appliances
Changshu Konka Electronic Co., Ltd.	Changshu Konka
Kunshan Konka Electronic Co., Ltd.	Kunshan Konka
Dongguan Konka Electronic Co., Ltd.	Dongguan Konka
Dongguan Konka Packing Materials Co., Ltd.	Dongguan Packing
Dongguan Konka Mould Plastic Co., Ltd.	Dongguan Mould Plastic
Boluo Konka PCB Co., Ltd.	Boluo Konka
Boluo Konka Precision Technology Co., Ltd.	Boluo Precision
Konka (Nanhai) Development Center	Nanhai Institute
Hong Kong Konka Co., Ltd.	Hong Kong Konka
Konka Household Appliances Investment & Development Co., Ltd.	Konka Household Appliances Investment
Konka Household Appliances International Trading Co., Ltd.	Konka Household Appliances International Trading
KONKA AMERICA,INC.	KONKA AMERICA
Konka (Europe) Co., Ltd.	Konka Europe
Dongguan Xutongda Mould Plastic Co., Ltd.	Xutongda
Shenzhen Konka Optoelectronic Technology Co., Ltd.	Konka Optoelectronic
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
Kunshan Jielunte Mould Plastic Co. , Ltd.	Kunshan Jielunte
Wuhan Jielunte Mould Plastic Co. , Ltd.	Wuhan Jielunte
Chuzhou Jielunte Mould Plastic Co. , Ltd.	Chuzhou Jielunte
Shenzhen Konka Yishijie Commercial Display Co., Ltd.	Konka Yishijie
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong

Corporate name	Abbreviation
Tianjin Usee Kangrong Culture Communication Co., Ltd.	Tianjin Kangrong

II. Basis for the preparation of financial statements

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 41 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 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 31 Dec. 2014, business results and cash flows for the year of 2014, 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. 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 then the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

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

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

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

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

5. Methods for preparing consolidated financial statements

(1) Principle for determining the consolidation scope

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

(2) Methods for preparing the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

7. Recognition standard for cash and cash equivalents

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

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

(1) Accounting treatments for translation of foreign currency transactions

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

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

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

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

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

(3) Translation of foreign currency financial statements

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

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

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

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

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

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

9. Financial instruments

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

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

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

(2) Classification, recognition and measurement of financial assets

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

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

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

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

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

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

② Held-to-maturity investment

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

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

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

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

③ Loans and the accounts receivables

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

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

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

④ Assets available for sales

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

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

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

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

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

(3) Impairment of financial assets

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

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

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

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

② Impairment of available-for-sale financial assets

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

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

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

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

(4) Recognition and measurement of financial asset transfers

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

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

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

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

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

(5) Classification and measurement of financial liabilities

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

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

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

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

② Other financial liabilities

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

③ Financial guarantee contract and loan commitment

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

(6) De-recognition of financial liabilities

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

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

(7) Derivatives and embedded derivatives

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

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

(8) Offsetting financial assets and financial liabilities

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

(9) Equity instruments

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

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

10. Receivables

Receivables include account receivables and other accounts receivables.

(1) Recognition of provision for bad debts:

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

① Debtor has serious financial difficult;

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

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

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

(2) Withdraw method of provision for bad debts

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

The Group recognized the receivables with amount above RMB 20 million and other receivables above 10 million as receivables with significant single amounts and withdrawn the provision for bad debts.

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

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

A. Recognition of credit risk group

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

Recognition basic of different groups:

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

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

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

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

Item	Withdrawal method
Aging group	Aging analysis method

Item	Withdrawal method
Internal related party groups of the Company	Not withdraw

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

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

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

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

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

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

(3) Reversal of provision for bad debts

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

11. Inventory

(1) Classification

The Group's inventories are classified as non-property inventories and property inventories.

And the non-property inventories include raw materials, goods in process; merchandise on hand, goods delivered and circulating materials, etc; while the property inventories include property in process and finished property, etc.

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

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

(2) Pricing method for outgoing inventories

Pricing method: weighted average method

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

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

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

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

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

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

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

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

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

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

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

12. Long-term equity investments

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

②Long-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 the 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 the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

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

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

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

③ Acquiring shares of minority interest

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

④ Disposal of long-term equity investment

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

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

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

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

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

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

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

13. Investment real estates

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

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

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

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

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

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

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

14. Fixed assets

(1) Conditions for recognition of fixed assets

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

(2) Depreciation methods of each fixed asset

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

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

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

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

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

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

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

(5) Other explanations

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

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

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

15. Construction in progress

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

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

16. Borrowing costs

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

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

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

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

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

17. Intangible assets

(1) Pricing method, useful life and impairment test

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

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

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

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

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

(2) R & D expenses

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

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

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

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

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

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

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

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

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

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

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

18. Amortization method of long-term deferred expenses

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

19. Impairment of long-term assets

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

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

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

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

20. Employee compensation

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

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

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

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

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

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

21. Estimated liabilities

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

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

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

22. Revenue

(1) Revenue from selling goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way. The recognition of revenue from exported goods: For good exported by way of FOB, the revenue shall be recognized once the goods were delivered to the carrier designated by the purchaser; for goods exported by way of CIF, the revenue shall be recognized once the goods reach the port of the purchase.

(2) Providing labor services

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

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

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

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

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

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

(4) Royalty revenue

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

(5) Interest revenue

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

(6)Property leasing revenue

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

23. Government subsidies

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

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

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

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

24. Deferred income tax assets/deferred income tax liabilities

(1) Income tax of the current period

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

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

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

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

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

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

25. Leasing

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

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

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

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

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

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

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

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

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

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

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

26. Changes in main accounting policies and estimates

(1) Change of accounting policies

① Alteration of the accounting polices led by executing the new ASBE

At the year-begin of 2014, the Ministry of Finance issued No. 39 of ASBE—Fair Value Measurement, No. 30 of ASBE—Presentation of Financial Statements (revised in 2014), No. 9 of ASBE—Employee Compensation (revised in 2014), No. 33 of ASBE—Consolidation Financial Statement (revised in 2014). No. 40 of ASBE—Joint Venture Arrangement, No. 2 of ASBE—Long-term Investment (revised in 2014) and No. 41 of ASBE—Equity Disclosure of Other Entities which respectively by C-H [2014] No.6, No. 7, No. 8, No. 10, No. 11, No. 14 and No. 16 which be required to execute among the enterprises that applied the ASBE since 1 Jul. 2014 as well as encouraged the enterprises listed overseas to execute in advance.

At the same time, the Ministry of Finance issued No. 37 of ASBE—Presentation of Financial Instruments (revised in 2014) as C-H [2014] No. 23 (hereinafter referred to Presentation Guidelines of Financial Instruments for short), which be required to present the financial instruments according to the requirements of the guidelines in Y2014 and the following period among the financial statement.

The Company began to execute the above 7 new issued or revised enterprises principles except for the presentation guidelines of financial instruments since 1 Jul. 2014 and began to execute the presentation guidelines of financial instruments when compiling the 2014 financial report and adjusted according to the relative requirements of each guidelines, while the influences on the financial statement items during the current period and the earlier stage of the presentation as well as the amount were as follows:

Name of criterions	Notes of the content and the influences	The affected amount of the relevant financial statement items on 1 Jan. 2014/of Y2013	
		Name of items	Affected amount Increase+/Decrease-
No. 2 of ASBE–Long-term Equity Investment	According to the No. 2 of ASBE–Long-term Equity Investment (revised in 2014) and the relevant regulations of the application guide	Long-term equity investment	- 10,138,027.92
		Available for sale financial assets	+ 10,953,000.00
		Capital reserve	+40,003,745.04
		Retained profits	-37,065,724.82
		Equities of minority shareholders	-2,123,048.14
		Investment income	-1,465,555.51

Name of criterions	Notes of the content and the influences	The affected amount of the relevant financial statement items on 1 Jan. 2014/of Y2013	
		Name of items	Affected amount Increase+/Decrease-
No. 30 of ASBE–Presentation of Financial Statement	According to the No. 30 of ASBE–Presentation of Financial Statement (revised in 2014) and the relevant regulations of the application guide	Discount difference of foreign currency statement	-16,179,316.17
		Other comprehensive income	+16,179,316.17
		Deferred income	+131,658,369.11
		Other non-current liabilities	-131,658,369.11

(2) Change of accounting estimates

There was no change of accounting estimate of the Company during 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) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) Income tax

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

(11) 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.

(12) Estimated liabilities

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

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

V. Taxation

1. Main taxes and tax rate

Category of taxes	Specific situation of the taxes rate
VAT	Calculated the output tax at 17% of taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period, of which Europe Konka of 21%, Telecommunication Technology of 17%, 6% and Shushida Logistics of 11%, 6%.
Business tax	Paid by 5% of taxable business income.
Urban maintenance and construction tax	Paid at 7% of the circulating tax actually paid, of which Dongguan Packing, Dongguan Konka, Dongguan Mould, Boluo Konka, Boluo Konka Precision and Xutongda 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 of 16.5%, Wankaida of 12.5%, Telecommunication Technology, Precision Mould, Information Network, Chongqing Qingjia, Anhui Konka, Kunshan Konka, Dongguan Konka, Dongguan Mould, Xutongda and Anhui Tongchuang of 15%, USA Konka of 28% 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.

(1) In accordance with the Notice on Printing the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by the Ministry of Finance, Ministry of Environmental Protection, National Development and Reform Commission, Ministry of Industry and Information, General Administration of Customs and National Taxation Bureau (CZ [2012] No. 34), and the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by National Taxation Bureau (GJSWZJGG [2012] No. 41), the domestic manufacturer of the electrical appliances and electronic products of PRC started to pay the treatment funds for discarded electrical appliance and electronic products according the sales

volume (trusted processing amount) and relevant charging standards from 1 Jul. 2012. According to the regulations, the Group's charging standards were RMB 13 per set of TV, RMB 12 per set of refrigerator and RMB 7 per set of washing machine.

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

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

(4) As for the transportation revenue of the logistic business of the Company's subsidiary Shushida Logistics, in accordance with the Notice on Carrying out the Pilot of Change on Charging the Business Taxes of Transportation Industry and Partial Modern Service Industry to Value Added Taxes in Eight Provinces and Cities including Beijing issued by the Ministry of Finance and the National Taxation Bureau (CS [2012] No. 71) and other regulations, it was changed to charge the VAT since 1 Sept. 2012, with the tax rate of 3%. From 1 Jun. 2013, Shushida Logistics received the general taxpayer qualification with the VAT rate of the transportation revenue of 11% and the other service of 6%.

2. Tax preference and approved document

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

(2) On 30 Sep. 2014, the subsidiary of the Company Konka Precision Mould Manufacture 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 GR201444201781 and the validity of three years. According to the relevant taxation regulations, the Precision Mould 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 22 Jul. 2013, the subsidiary of the Company Shenzhen Konka Information Network 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 GR201344200179 and the validity of three years. According to the relevant taxation regulations, the Information Network could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2013 to 2015, and pay for the corporate income tax according to 15% of the preferential tax rate.

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

(5) On 14 Oct., 2013, the subsidiary of the Company, Anhui Konka, received the certificate of high-technology enterprises (No.: GF2013342000298) awarded by Anhui Science and Technology Department, Anhui Department of Finance, Anhui State Taxation Bureau and Anhui Local Taxation Bureau. The period of validity is three years. According to taxation rules, Anhui Konka would enjoy the preferential tax privileges of high-technology enterprises from 2013 to 2015 and pay the enterprise income tax at the preferential rate of 15%.

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

(7) According to the regulations of the Reply on the Filling of the 2014 First and Second Batch of the High-technology Enterprise of Guangdong Province issued by Torch High Technology Industry Development Center of Ministry of Science and Technology (G-K-H-Zi [2015] No. 47), the subsidiary of the Company, Dongguan Konka Electronics Co., Ltd. had passed the qualification recognition of national high-technology enterprises with the number of the certificate of high-technology enterprises of GR201444001341 and the issuance date was 10 Oct. 2014. Up to the report date, Dongguan Konka had not received the certificate of high-technology enterprises and the Company considered that to gain the certificate of high-technology enterprises and be filed by the competent tax authority not exist any uncertainty, and temporarily pay for the corporate income tax according to 15% of the preferential tax rate.

(8) On 12 Sept. 2012, the Company's subsidiary, Dongguan Konka Mould Plastic 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 GF201244000053 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 2012 to 2014, and pay for the corporate income tax according to 15% of the preferential tax rate.

(9) On 26 Nov. 2012, the Company's subsidiary, Dongguan Xutongda Mould Plastic Co., Ltd. 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 ofGR201244000555 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 2012 to 2014, and pay for the corporate income tax according to 15% of the preferential tax rate.

(10) On 3 Jul. 2012, the Company's subsidiary Anhui Tongchuang received the Certificate of Hi-tech Enterprise jointly issued by Department of Science & Technology, Finance Bureau, National Taxation Bureau and Local Taxation Bureau of Anhui Province with the number of GR201234000074 and the valid term of three years. In accordance with relevant stipulations of taxation, Anhui Tongchuang will enjoy relevant preferential policies for high-tech enterprises for successive three years since 2012 and was levied at the preferential enterprise income tax rate of 15%.

(11) According to the CS No. [2008] 1 Article issued by Ministry of Finance and State Administration of Taxation, after recognizing the domestic newly set up software production enterprises and since the profit-making year, our country exempted the corporate income tax in the first and second year while the third to fifth years halved the corporate income tax. The Company's subsidiary, Shenzhen Wankaida Science and Technology Co., Ltd. was exempted from the corporate income tax from 2010 to 2011 and from 2012 to 2014 be halved to pay for the corporate income tax with the adapted tax rate of 12.5% of 2014.

(12) 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., and Shenzhen Wankaida Science and Technology 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 year-begin refers to 1 Jan. 2014, the year-end refers to 31 Dec. 2014 and this year refers to Y2014 with the last year of Y2013.

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	5,118.98	18,884.53
Bank deposits	1,846,551,209.81	1,771,470,536.68
Other monetary funds	62,898,895.10	72,253,668.73
Total	**1,909,455,223.89**	**1,843,743,089.94**
of which: total amount deposited in overseas	356,036,479.82	68,985,938.29

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

2. Notes receivable

(1) Category of notes receivable

Item	Closing balance	Opening balance
Banker's acceptance bill	3,785,443,076.37	4,148,179,374.32
Commercial acceptance bill	33,974,000.00	2,600,000.00
Total	**3,819,417,076.37**	**4,150,779,374.32**

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

Item	Amount
Banker's acceptance bill	1,461,595,341.76
Total	**1,461,595,341.76**

(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 not terminated recognition at the period-end
Banker's acceptance bill	1,287,301,779.76	—
Total	**1,287,301,779.76**	**—**

Notes: Up to 31 Dec. 2014, the Company pledged the banker's acceptance bill of the book value of RMB 1,461,595,341.76 in the Shenzhen Branch of BOC for applying for the RMB 5.3 billion general credit limit, which was used for the domestic or foreign financing business such as handling the billing, letter of credit and the trading financing.

3. Accounts receivable

(1) Accounts receivable disclosed by category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	—	—	—	—	—
Accounts receivable withdrawn bad debt	2,516,702,016.18	98.95	259,303,584.71	10.30	2,257,398,431.47

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
provision according to credit risks characteristics					
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	26,756,380.18	1.05	24,861,604.49	92.92	1,894,775.69
Total	**2,543,458,396.36**	**100.00**	**284,165,189.20**	**11.17**	**2,259,293,207.16**

(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	103,357,300.00	3.76	5,167,865.00	5.00	98,189,435.00
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	2,616,862,124.57	95.25	256,068,763.63	9.79	2,360,793,360.94
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	27,085,525.42	0.99	25,071,336.44	92.56	2,014,188.98
Total	**2,747,304,949.99**	**100.00**	**286,307,965.07**	**10.42**	**2,460,996,984.92**

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

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	2,192,990,417.43	45,567,514.25	2.08
1 to 2 years	81,201,171.40	4,060,058.57	5.00
2 to 3 years	31,114,142.95	6,222,828.59	20.00
3 to 4 years	12,545,176.10	6,272,588.05	50.00

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
4 to 5 years	3,341,026.10	1,670,513.05	50.00
Over 5 years	195,510,082.20	195,510,082.20	100.00
Total	**2,516,702,016.18**	**259,303,584.71**	

② Accounts receivable with insignificant single amount for which bad debt provision

Accounts receivable (classified by units)	Year end balance			
	Accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason
ITALY MOTOM ELECTRONICS GROUP SPA	6,315,918.96	4,421,143.27	70.00%	Rejected to pay for the accounts receivable at the period-end
Shenzhen Guanyan Science and Technology (Youke Photoelectricity) Co., Ltd.	1,223,622.25	1,223,622.25	100.00%	Lawsuit
F & J international (HK) Limited	1,474,490.47	1,474,490.47	100.00%	Bankruptcy
AL SHAMS DIS TIE LTD	918,080.45	918,080.45	100.00%	Large customer with quality dispute of small sue possibility
H-BUSTER DO BRASIL INDUSTRIA	16,824,268.05	16,824,268.05	100.00%	Uncertain bankruptcy organization
Total	**26,756,380.18**	**24,861,604.49**	—	—

(2) Accounts receivable withdraw, reversed or collected of 2014

The reversed bad debt provision of 2014 was of RMB 2,142,775.87.

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

The total amount of the Top 5 of the closing balance of the accounts receivable colleted according to the arrears party at the year-end was of RMB 704,588,100.93 that covered the proportion of 27.70% in the total amount of the accounts receivable at the year-end, and the total amount of the corresponding withdrew bad debt provision was of RMB 14,091,762.02.

4. Prepayment

(1) List by aging analysis:

Aging	Closing balance			Opening balance		
	Book value		Bad debt provision	Book value		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	312,558,414.85	96.34	863,929.20	163,318,358.04	95.14	1,082,860.65
1 to 2 years	5,069,017.23	1.56	1,952,958.31	1,573,795.66	0.92	14,594.30
2 to 3 years	735,503.34	0.23	396,003.34	513,493.43	0.30	35,262.59
Over 3 years	6,086,092.93	1.87	6,086,092.93	6,248,671.39	3.64	6,248,671.39
Total	**324,449,028.35**	**100.00**	**9,298,983.78**	**171,654,318.52**	**100.00**	**7,381,388.93**

Notes: prepayments of significant amount and aged more than 1 year was mainly the prepayments of material purchasing amount of “Shanghai Yongxin Color Picture Tube Co., Ltd.” and “Guobang Group Co., Ltd.” with the amount respectively of RMB 4,108,257.19 and 1,303,324.20, and owning to the quality problem of the relevant materials which led the accounts settlement and the materials warehousing formalities unmanaged till now with the purchase accounts prepaid be presented as the prepayments.

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

The total amount of the Top 5 of the closing balance of the prepayment colleted according to the prepayment target was of RMB 32,456,636.08, which was of 10.00% of the total amount of the year-end balance of the prepayments.

5. Interest receivable

Item	Closing balance	Opening balance
Fixed term deposit interest	1,885,727.36	2,898,419.90
Total	**1,885,727.36**	**2,898,419.90**

6. Other accounts receivable

(1) Other accounts receivable disclosed by category

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

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	18,115,952.51	2.21	5,405,926.42	29.84	12,710,026.09
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	800,523,541.89	97.55	26,194,197.30	3.27	774,329,344.59
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,000,000.00	0.24	2,000,000.00	100.00	—
Total	**820,639,494.40**	**100.00**	**33,600,123.72**	**4.09**	**787,039,370.68**

(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	—	—	—	—	—
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	321,659,003.24	100.00	22,909,588.29	7.12	298,749,414.95
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—
Total	**321,659,003.24**	**100.00**	**22,909,588.29**	**7.12**	**298,749,414.95**

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

Other accounts receivable (classified by units)	Year end balance			
	Accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason

Other accounts receivable (classified by units)	Year end balance			
	Accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	5,405,926.42	29.84%	Assessment impairment
Total	**18,115,952.51**	**5,405,926.42**	—	—

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

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	612,681,823.36	2,693,093.05	0.44
1 to 2 years	168,007,381.83	8,400,369.09	5.00
2 to 3 years	4,678,905.30	935,781.06	20.00
3 to 4 years	914,912.74	457,456.37	50.00
4 to 5 years	1,066,041.86	533,020.93	50.00
Over 5 years	13,174,476.80	13,174,476.80	100.00
Total	**800,523,541.89**	**26,194,197.30**	

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision of 2014 was of RMB 10,690,535.43.

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

Name of units	Nature	Closing balance	Aging	Proportion of the total year end balance of the accounts receivable (%)	Closing balance of bad debt provision
Finance Commission of Shenzhen Municipality	Mat costs of land-transferring fees	488,063,979.00	Within 1 year	59.47	—
National Energy Saving and People Benefaction Office	Subsidy payments of energy saving	152,402,680.00	1 to 2 years	18.57	7,594,025.30
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Come-and-go money	18,115,952.51	Within 1 year	2.21	5,405,926.42
China Beijing Equity	Margin	14,797,464.00	Within 1	1.80	—

Name of units	Nature	Closing balance	Aging	Proportion of the total year end balance of the accounts receivable (%)	Closing balance of bad debt provision
Exchange Co., Ltd.			year		
Radio, Film & TV Administration of Guangdong Province	Margin	2,480,401.90	1 to 2 years	0.30	124,020.10
Total	—	675,860,477.41	—	82.35	13,123,971.82

7. Inventory

(1) Category

Item	Closing balance		
	Book balance	Impairment of inventories	Book value
Raw materials	1,299,997,072.71	331,916,902.96	968,080,169.75
Construction contract assets	384,479,782.98	175,345,095.16	209,134,687.82
Inventory goods	2,347,967,769.03	239,320,721.13	2,108,647,047.90
Turnover material	854,937.39	—	854,937.39
Development cost	617,719,407.47	—	617,719,407.47
Total	**4,651,018,969.58**	**746,582,719.25**	**3,904,436,250.33**

(Continued)

Item	Opening balance		
	Book balance	Impairment of inventories	Book value
Raw materials	1,122,928,416.97	337,943,507.99	784,984,908.98
Construction contract assets	346,780,797.38	180,414,495.68	166,366,301.70
Inventory goods	2,327,973,299.87	258,385,468.08	2,069,587,831.79
Turnover material	5,144,913.85	1,041,221.03	4,103,692.82
Development cost	557,626,288.97	—	557,626,288.97
Total	**4,360,453,717.04**	**777,784,692.78**	**3,582,669,024.26**

(2) Impairment of inventories

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	337,943,507.99	40,910,625.20	—	46,937,230.23	—	331,916,902.96
Construction contract assets	180,414,495.68	16,221,786.40	—	21,291,186.92	—	175,345,095.16
Inventory goods	258,385,468.08	30,992,214.88	—	50,056,961.83	—	239,320,721.13
Turnover material	1,041,221.03	—	—	1,041,221.03	—	—-
Total	**777,784,692.78**	**88,124,626.48**	—	**119,326,600.01**	—	**746,582,719.25**

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

Item	Specific basis of the withdrawal of the falling price provision of inventory	Reasons of reversing the falling price provision of the inventory	Reasons of writing off the falling price provision of the inventory
Raw materials	The realizable net value was lower than the inventory cost	Recovery of the market price	Disposed in 2014
Construction contract assets	The realizable net value was lower than the inventory cost	Recovery of the market price	Disposed in 2014
Inventory goods	The realizable net value was lower than the inventory cost	Recovery of the market price	Disposed in 2014
Turnover material	The realizable net value was lower than the inventory cost	Recovery of the market price	Disposed in 2014

(4) The capitalized amount of the borrowings among the year-end balance of the inventory was of RMB 1,329,348.82.

8. Other current assets

Item	Closing balance	Opening balance
Financial products	500,000.00	—
Entrust loans	50,000,000.00	—

Item	Closing balance	Opening balance
Prepayments and deductible taxes	311,200,708.77	184,060,461.43
Total	**361,700,708.77**	**184,060,461.43**

Notes: The entrust loans was the amount of RMB 50,000,000.00 that Anhui Konka Electronics Co., Ltd. lent to Chuzhou Tongchuang Construction Investment Co., Ltd. through Chuzhou Branch of BOC, which the both parties had signed the entrust loans contracts with the contract number of C-Z-Y-W-D-Zi [2014] No. 007 with the borrowing time limit of 1 year.

9. Available-for-sale financial assets

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

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	247,799,748.07	2,766,139.07	245,033,609.00	15,149,748.07	3,254,748.77	11,894,999.30
Of which: measured by fair value	2,311,748.07	681,139.07	1,630,609.00	2,311,748.07	1,369,748.77	941,999.30
Measured by cost	245,488,000.00	2,085,000.00	243,403,000.00	12,838,000.00	1,885,000.00	10,953,000.00
Total	**247,799,748.07**	**2,766,139.07**	**245,033,609.00**	**15,149,748.07**	**3,254,748.77**	**11,894,999.30**

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

Category of available-for-sale financial assets	Available-for-sale equity instruments
Cost of the equity instruments	2,311,748.07
Fair value	1,630,609.00
Change amount of the fair value accumulatively included in the other comprehensive income	688,609.70
Withdrawn impairment amount	681,139.07

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

Investee	Book balance			
	Year-begin	Increase	Decrease	Year-end
Shenzhen Qianhai Qingsong Venture	—	6,000,000.00	—	6,000,000.00

Capital Fund Enterprise				
Shenzhen Tianyilian Science & Technology Co., Ltd.	—	4,800,000.00	—	4,800,000.00
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—	9,500,000.00	—	9,500,000.00
Shenzhen A Dot TV Co., Ltd.	—	5,750,000.00	—	5,750,000.00
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00
ZAEFI	100,000.00	—	—	100,000.00
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00	—	—	485,000.00
Shanlian Information Technology Engineering Center	5,000,000.00	—	—	5,000,000.00
Shenzhen CIU Science & Technology Co., Ltd.	1,153,000.00	—	—	1,153,000.00
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	2,400,000.00	3,600,000.00	—	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
Total	12,838,000.00	232,650,000.00	—	245,488,000.00

(Continued)

Investee	Book balance				Shareholding proportion among the investees (%)	Cash bonus of the reporting period
	Year-begin	Increase	Decrease	Year-end		
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	—	—	—	—		—
Shenzhen Tianyilian Science & Technology Co., Ltd.	—	—	—	—		—
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—	—	—	—		—
Shenzhen A Dot TV Co., Ltd.	—	—	—	—		—
Feihong Electronics Co., Ltd.	1,300,000.00		—	1,300,000.00	8.33	—
ZAEFI	100,000.00		—	100,000.00	—	—
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00		—	485,000.00	1.00	—

Shanlian Information Technology Engineering Center	—	—	—	—	—	—
Shenzhen CIU Science & Technology Co., Ltd.	—	200,000.00	—	200,000.00	11.50	—
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	—	—	—	—	6.00	—
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	—	—	—	—	4.26	—
ChinaAMC - Jiayi Overseas Orientation Programs	—	—	—	—	—	—
Total	1,885,000.00	200,000.00	—	2,085,000.00	—	—

(4) Changes of the impairment of the available-for-sale financial assets of 2014

Category of available-for-sale financial assets	Available-for-sale equity instruments
Withdrawn impairment balance at the year-begin	3,254,748.77
Withdrawal of 2014	200,000.00
Of which: transferred from other comprehensive income	—
Decrease of 2014	688,609.70
Of which: recovered or reversed from the fair value after the period	—
Withdrawn impairment balance at the year-end	2,766,139.07

(5) Other notes

The Company transferred the long-term equity investment without significant influences and joint control into the available-for-sale financial assets for measurement according to the changes of the new criterion of 2014.

10. Long-term equity investment

Investees	Opening balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Associated enterprises:	—	—	—	—	—	—
Shenzhen Refund Optoelectronics Co., Ltd.	115,114,237.42	—	23,515,873.02	-22,743,653.52	—	-25,429,229.21
Enraytek Optoelectronics Co., Ltd.	108,633,724.22	—	—	-8,931,285.01	—	15,437,529.56
Shenzhen Konka Energy	3,649,728.08	—	—	—	—	—

Investees	Opening balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Technology Co., Ltd.						
Shanghai Konka Green Science & Technology Co., Ltd.	201,482,356.95	—	—	-3,679,122.32	—	-44,629.76
Shenzhen Dekang Electronics Co., Ltd.	7,137,424.83	—	—	—	—	—
Total	**436,017,471.50**	—	**23,515,873.02**	**-35,354,060.85**	—	**-10,036,329.41**

(Continued)

Investee entity	Increase/ decrease			Closing balance	Closing balance of impairment provision
	Declaration of cash dividend or profits	Withdraw bad debt provision	Other		
Joint venture:	—	—	—	—	—
Shenzhen Refond Optoelectronics Co., Ltd.	—	—	—	43,425,481.67	—
EnRay Tek Optoelectronics (Shanghai) Co., Ltd.	—	—	—	115,139,968.77	—
Shenzhen Konka Energy Technology Co., Ltd	—	—	—	3,649,728.08	—
Shanghai Konka Green Science and Technology Co., Ltd.	—	—	—	197,758,604.87	—
Shenzhen Konka Electronics Co., Ltd.	—	—	—	7,137,424.83	—
Total	—	—	—	**367,111,208.22**	—

11. Investment property

(1) Investment property calculated by cost

Item	Houses and buildings	Land use right	construction in progress	Total
I. Original book value				
1. Opening balance	**248,881,997.54**	—	—	**248,881,997.54**
2. Increased amount of the period	**1,041,050.21**	—	—	**1,041,050.21**

Item	Houses and buildings	Land use right	construction in progress	Total
(1) Outsourcing	1,041,050.21	—	—	1,041,050.21
3. Decreased amount of the period	—	—	—	—
(1) Disposal	—	—	—	—
4. Closing balance	**249,923,047.75**	—	—	**249,923,047.75**
II. The accumulative depreciation and accumulative amortization				
1. Opening balance	**10,895,473.42**	—	—	**10,895,473.42**
2. Increased amount of the period	**5,678,121.53**	—	—	**5,678,121.53**
(1) withdraw or amortization	5,678,121.53	—	—	5,678,121.53
3. Decreased amount of the period	—	—	—	—
(1) Disposal	—	—	—	—
4. Closing balance	**16,573,594.95**	—	—	**16,573,594.95**
III. impairment provision				
1. Opening balance	—	—	—	—
2. Increased amount of the period	—	—	—	—
(1) withdraw	—	—	—	—
3. Decreased amount of the period	—	—	—	—
(1) Disposal	—	—	—	—
4. Closing balance	—	—	—	—
IV. book value				
1．Closing book value	**233,349,452.80**	—	—	**233,349,452.80**
2. Opening book value	**237,986,524.12**	—	—	**237,986,524.12**

(2) Investment property adopted fair value measurement mode

Item	Book value	Reason
R&D mansion	233,349,452.80	Under processing

12. Fixed assets

(1) List of fixed assets

Unit: RMB Yuan

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
1. Opening balance						
2. Increased amount of the period	**1,697,364,872.78**	**1,077,095,834.75**	**252,082,489.37**	**74,040,180.94**	**195,513,387.30**	**3,296,096,765.14**
(1) Purchase	**149,991,354.92**	**40,359,693.71**	**18,348,763.09**	**5,753,850.45**	**36,902,538.21**	**251,356,200.38**
(2) Transfer of project under construction	134,005,689.71	36,235,514.62	18,348,763.09	5,753,850.45	36,844,418.55	231,188,236.42
3. Decreased amount of the period	15,985,665.21	4,124,179.09	—	—	58,119.66	20,167,963.96
1. Opening balance	**180,523,888.42**	**92,092,978.81**	**17,790,152.11**	**5,549,994.89**	**17,495,085.35**	**313,452,099.58**
(1) Disposal or Scrap	43,596,210.24	88,037,291.55	13,597,758.71	3,543,566.66	10,682,472.81	159,457,299.97
4. Closing balance	**1,666,832,339.28**	**1,025,362,549.65**	**252,641,100.35**	**74,244,036.50**	**214,920,840.16**	**3,234,000,865.94**
II. Accumulated depreciation						
1. Opening balance	**378,833,362.76**	**606,302,322.73**	**206,847,412.38**	**53,846,303.98**	**128,053,595.91**	**1,373,882,997.76**
2. Increased amount of the period	**40,210,835.47**	**58,702,785.27**	**10,242,305.22**	**3,425,935.14**	**27,399,637.99**	**139,981,499.09**
(1) Withdrawal	40,759,007.97	59,493,175.20	13,016,906.08	8,340,534.48	18,217,221.94	139,826,845.67
3. Decreased amount of the end of period	**17,617,214.48**	**74,079,743.07**	**15,728,018.75**	**4,769,178.41**	**14,674,200.87**	**126,868,355.58**
Disposal or Scrap	16,590,256.88	73,769,826.19	11,715,741.42	3,189,209.99	9,417,182.01	114,682,216.49
4. Closing balance	**401,426,983.75**	**590,925,364.93**	**201,361,698.85**	**52,503,060.71**	**140,779,033.03**	**1,386,996,141.27**
III. Impairment provision						
1. Opening balance	**2,451,004.74**	**6,876,144.66**	**1,945,464.65**	**847,673.85**	**1,589,499.68**	**13,709,787.58**
2. Increased amount of the period	**50,835,348.50**	**488,575.57**	—	**51,556.74**	—	**51,375,480.81**
(1) Withdrawal	50,835,348.52	488,575.57	—	51,556.74	—	51,375,480.83

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
3. Decreased amount of the period	**162,036.79**	**1,166,066.10**	**317,411.20**	—	**130,578.55**	**1,776,092.64**
Disposal or Scrap	162,036.79	1,166,066.10	317,411.20	—	130,578.55	1,776,092.64
4. Closing balance	**53,124,316.45**	**6,198,654.13**	**1,628,053.45**	**899,230.59**	**1,458,921.13**	**63,309,175.75**
IV. book value						-
1．Closing book value	**1,212,281,039.08**	**428,238,530.59**	**49,651,348.05**	**20,841,745.20**	**72,682,886.00**	**1,783,695,548.92**
2. Opening book value	**1,316,080,505.28**	**463,917,367.36**	**43,289,612.34**	**19,346,203.11**	**65,870,291.71**	**1,908,503,979.80**

Notes: As of 31 Dec. 2014, there was no fixed asset with restricted ownership in the Company。

(2) List of temporarily idle fixed assets

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
Houses and buildings	4,284,173.90	2,458,069.58	—	1,826,104.32	
Mechanical equipments	10,558,421.64	6,331,219.92	1,228,086.34	2,999,115.38	
Electronic equipments	18,124,920.77	16,450,475.78	1,308,670.85	365,774.14	
Vehicles	1,236,850.00	1,112,484.90	87,259.60	37,105.50	
Other equipments	3,384,447.56	2,156,029.27	118,753.25	1,109,665.04	
Total	**37,588,813.87**	**28,508,279.45**	**2,742,770.04**	**6,337,764.38**	

(3) Fixed assets leased in from financing lease

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Mechanical equipments	5,321,552.85	969,154.03	—	4,352,398.82

(4) Fixed assets leased out from operation lease

Item	Closing book value
Houses and buildings	34,649,674.28
Total	**34,649,674.28**

Note: the rent the self use party of houses and buildings, different usage can not be individually measured.

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

Item	Book value	Reason
Mudangjiang electric appliances etc.	12,187,010.26	Has not obtained the state-owned land uses card, can not to deal with house property card
Office building of Changshu Konka Color TV etc.	1,826,104.32	Has not obtained the state-owned land uses card, can not to deal with house property card
Kangsheng Aquatic Club	20,952,377.97	Under processing
Jingyuan office building	13,333,331.93	Legal disputes, has won the case, certificate is under processing
R&D mansion	255,447,618.22	Under processing
Office building of Pang river street, Big East District, Shenyang	9,658,088.13	Under processing
Office building of Linxiu New Town, Urumchi	3,955,862.23	Under processing
Yikang building of Group headquarter	58,791,900.61	Has not obtained the state-owned land uses card, can not to deal with house property card

13. Construction in progress

(1) List of construction in progress

Item	Closing amount			Opening amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Kunshan hotel	57,267,807.74	—	57,267,807.74	18,495,377.38	—	18,495,377.38

Item	Closing amount			Opening amount		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Kunshan gallery	1,643,881.07	—	1,643,881.07	1,643,881.07	—	1,643,881.07
Kunshan Jielunte new factory	29,459,670.93	—	29,459,670.93	9,556,522.65	—	9,556,522.65
Wuhan Jielunte factory construction	18,304,006.73	—	18,304,006.73	68,714.00	—	68,714.00
Project to be installed	873,065.82	—	873,065.82	1,001,759.03	—	1,001,759.03
Other small projects	52,056,451.80	—	52,056,451.80	19,157,773.84	—	19,157,773.84
Total	**159,604,884.09**	**—**	**159,604,884.09**	**49,924,027.97**	**—**	**49,924,027.97**

(2) Changes of significant construction in progress

Name o f item	Estimated number	Opening balance	Increased amount of the period	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance
Kunshan hotel	441,600,000.00	18,495,377.38	38,772,430.36	—	—	57,267,807.74
Kunshan gallery	26,320,000.00	1,643,881.07	—	—	—	1,643,881.07
Kunshan Jielunte new factory	29,500,000.00	9,556,522.65	19,903,148.28	—	—	29,459,670.93
Wuhan Jielunte factory construction	40,000,000.00	68,714.00	18,235,292.73	—	—	18,304,006.73
Project to be installed	3,075,000.00	1,001,759.03	596,873.44	725,566.65	—	873,065.82
Other small projects	—	19,157,773.84	60,180,946.76	19,442,397.31	7,839,871.49	52,056,451.80
Total	**540,495,000.00**	**49,924,027.97**	**137,688,691.57**	**20,167,963.96**	**7,839,871.49**	**159,604,884.09**

(Continued)

Name o f item	Proportion of Accumulative investment in budget（%）	Progress of works	Accumulative amount of interest capitalization	Of which: amount of interest capitalization in reporting period	Rate of interest capitalization（%）	Capital resource
Kunshan hotel	12.97%	12.97%	2,061,525.49	1,083,967.05	6.00%	Financial institutions

Name o f item	Proportion of Accumulative investment in budget（%）	Progress of works	Accumulative amount of interest capitalization	Of which: amount of interest capitalization in reporting period	Rate of interest capitalization（%）	Capital resource
						loans and self own funds
Kunshan gallery	6.25%	6.25%	—	—	—	Self own funds
Kunshan Jielunte new factory	98.13%	98.13%	—	—	—	Self own funds
Wuhan Jielunte factory construction	45.76%	45.76%	—	—	—	Self own funds
Project to be installed	51.99%	51.99%	—	—	—	Self own funds
Other small projects	—	—	810,165.16	810,165.16	6.00%	Financial institutions loans and self own funds

14. Intangible assets

(1) Information

Item	Land use right	Patent	Trademark registration expense	Other	Total
I. Original book value					
1. Opening balance	**374,671,561.19**	**38,668,756.51**	**3,519,159.61**	**25,580,029.94**	**442,439,507.25**
2. Increased amount of the period	—	**1,470,983.37**	—	**4,482,403.29**	**5,953,386.66**
(1) Purchase	—	1,470,983.37	—	4,482,403.29	5,953,386.66
3 .Decrease in reporting period	**8,473,627.08**	—	—	—	**8,473,627.08**
(1)Disposal	8,473,627.08	—	—	—	8,473,627.08
4. Closing balance	**366,197,934.11**	**40,139,739.88**	**3,519,159.61**	**30,062,433.23**	**439,919,266.83**
II. Accumulated amortization					
1. Opening balance	**34,367,987.40**	**30,935,481.51**	**3,319,116.47**	**11,330,268.14**	**79,952,853.52**

Item	Land use right	Patent	Trademark registration expense	Other	Total
2. Increased amount of the period	**8,490,476.12**	**1,188,505.89**	**45,060.42**	**2,193,377.84**	**11,917,420.27**
(1) Withdrawal	8,490,476.12	1,188,505.89	45,060.42	2,193,377.84	11,917,420.27
3 .Decrease in reporting period	**2,478,220.15**	**—**	**—**	**—**	**2,478,220.15**
(1)Disposal	2,478,220.15	—	—	—	2,478,220.15
4. Closing balance	**40,380,243.37**	**32,123,987.40**	**3,364,176.89**	**13,523,645.98**	**89,392,053.64**
III. impairment provision					
1. Opening balance	**—**	**2,901,082.61**	**—**	**—**	**2,901,082.61**
2. Increased amount of the period	—	—	—	—	—
(1) Withdrawal	—	—	—	—	—
3 .Decrease in reporting period	—	—	—	—	—
(1)Disposal	—	—	—	—	—
4. Closing balance	**—**	**2,901,082.61**	**—**	**—**	**2,901,082.61**
IV. Book value					
1. Closing book value	**325,817,690.74**	**5,114,669.87**	**154,982.72**	**16,538,787.25**	**347,626,130.58**
2. Opening book value	**340,303,573.79**	**4,832,192.39**	**200,043.14**	**14,249,761.80**	**359,585,571.12**

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

Item	Book value	Reason
Land use right (15,323.70 sq.m.)	1,882,510.76	Left over by history
Land use right 83.85 units of area (55901.7 sq.m.)	3,027,296.17	Left over by history
Land of Tube warehouse	1,085,600.00	Left over by history

(3) Other notes:

The land use right of book value of intangible assets of the Company's subsidiary Kunshan

Konka Electronic Co., Ltd. was RMB 80,299,992.70 which was pledged for long term loan of RMB 51,976,957.13.

15. Goodwill

(1) Original book value of goodwill

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
		Formed from the business combination	Other	Dispose	Other	
Shaanxi Konka	316,980.96	—	—	316,980.96	—	—
Video & Communication Systems Engineering	29,033.42	—	—	29,033.42	—	—
Anhui konka	3,597,657.15	—	—	—	—	3,597,657.15
Total	3,943,671.53	—	—	346,014.38	—	**3,597,657.15**

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

(3) As of 31 Dec. 2014, there was no book value of goodwill higher than recoverable amount.

16. Long-term unamortized expenses

Item	Opening balance	Increase	Amortization amount	Other decrease	Closing balance
Renovation costs	7,014,202.08	5,472,999.56	2,929,767.21	—	9,557,434.43
Advertising expense	—	12,452,830.24	2,172,155.17	—	10,280,675.07
Other	6,390,882.86	1,861,915.66	1,900,059.05	398,043.91	5,954,695.56
Total	**13,405,084.94**	**19,787,745.46**	**7,001,981.43**	**398,043.91**	**25,792,805.06**

17. Deferred income tax assets/deferred income tax liabilities

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

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment	680,584,889.73	177,400,270.38	612,813,375.75	151,863,198.25

provision				
Unrealized profits internal transaction	11,396,406.89	2,849,101.72	49,119,621.91	12,279,905.48
Warranty expense	92,847,148.47	23,119,888.96	59,912,724.40	14,978,181.10
Deferred income	91,852,218.96	21,845,806.74	105,826,076.56	24,025,519.14
Deductible losses	137,205,313.83	34,301,328.46	68,030,401.22	15,581,935.44
Total	**1,013,885,977.88**	**259,516,396.26**	**895,702,199.84**	**218,728,739.41**

(2) Deferred income tax liabilities had not been off-set

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Accelerated depreciation of fixed assets	6,996,658.49	1,049,498.77	—	—
Total	**6,996,658.49**	**1,049,498.77**	—	—

(3) Deferred income tax assets or liabilities listed by net amount after off-set

Item	Closing balance	Opening balance
Deductable temporary difference	569,915,297.69	467,226,060.72
Deductible losses	525,306,805.68	229,913,859.17
Total	**1,095,222,103.38**	**697,139,919.89**

Notes: the above statement listing was with uncertainty whether can obtain enough tax or not, thus it was not been recognized as deductable temporary difference or deductible losses of deferred income tax assets

18. Short term loan

Item	Closing balance	Opening balance
Pledge loan	10,000,000.00	—
Mortgage loan	—	55,000,000.00
Guarantee loan	—	1,701,468,525.61
Credit loan	5,135,712,436.91	3,482,601,238.87
Total	**5,145,712,436.91**	**5,239,069,764.48**

Notes: the Company's controlling subsidiary Dongguan Mould Plastic had sign Domestic factoring contract with recourse right (Contract No. [2014]8800-103-036) with CCB, Dongguan Branch, the contract agreed that the maximum advance amount of factoring was RMB 20 million, The validity of the quota was from Aug. 2014 to Aug. 2015. The account receivable of book balance of Dongguan Mould Plastic of RMB 12,638,637.58 was pledged for a loan of RMB 10 million in reporting period. .

19. Notes payable

Category	Closing balance	Opening balance
Trade acceptance	6,855,587.12	50,103,060.64
Bank acceptance bill	904,499,441.35	515,034,730.20
Total	**911,355,028.47**	**565,137,790.84**

Notes: RMB 911,355,028.47 will be due in next fiscal period.

20. Accounts payable

(1) List of accounts payable

Item	Closing balance	Opening balance
Within one year	3,006,945,692.52	3,261,181,383.46
One to two years	117,095,669.63	55,110,361.00
Two to three years	1,259,084.44	5,156,630.71
Three years or longer	19,107,987.34	20,355,768.95
Total	**3,144,408,433.93**	**3,341,804,144.12**

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

Name of creditor	Amount	Unpaid/carry-over reason
Survey and design expense	411,841.60	Unsettled
Installation project	1,968,380.86	Unsettled
Interior components	17,742,618.94	Unsettled

The three major equipment	528,435.13	Unsettled
Exterior components	5,038,769.40	Unsettled
Total	**25,690,045.93**	

21. Advance from customers

(1) List of advance from customers

Item	Closing balance	Opening balance
Within one year	275,288,665.86	458,960,747.24
One to two years	11,520,332.44	4,306,679.21
Two to three years	1,574,348.73	8,319,702.44
Over three years	14,521,106.83	11,128,906.79
Total	**302,904,453.86**	**482,716,035.68**

(2) Significant advance from customers aging over one year was sale expense unsettled

22. Payroll payable

(1) List of Payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	328,300,829.12	1,632,048,035.21	1,663,646,917.54	296,701,946.79
II. Post-employment benefit-defined contribution plans	2,943,249.64	140,891,522.57	141,271,977.95	2,562,794.26
III. Termination benefits	846,909.00	5,406,996.45	6,245,931.45	7,974.00
IV. Other benefits due within one year	—	—	—	—
Total	**332,090,987.76**	**1,778,346,554.23**	**1,811,164,826.94**	**299,272,715.05**

(2) List of Short-term salary

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	315,245,828.12	1,433,836,112.49	1,462,706,860.48	286,375,080.13
2. Employee welfare	1,387,563.03	69,014,298.31	69,290,389.21	1,111,472.13
3. Social insurance	1,577,598.57	54,561,025.60	54,612,597.80	1,526,026.37
Including: Medical insurance premiums	1,301,165.25	46,105,637.87	46,121,123.78	1,285,679.34
Work-related injury insurance	147,655.54	5,494,346.96	5,550,769.29	91,233.21
Maternity insurance	128,777.78	2,961,040.77	2,940,704.73	149,113.82
4. Housing fund	1,591,150.93	33,117,935.45	33,204,538.03	1,504,548.35
5. Labor union budget and employee education budget	6,346,674.68	14,714,932.50	16,673,348.62	4,388,258.56
6.Short-term absence with payment	—	—	—	—
7. Short-term profit sharing plan	—	—	—	—
8. Other	2,152,013.79	26,803,730.86	27,159,183.40	1,796,561.25
Total	**328,300,829.12**	**1,632,048,035.21**	**1,663,646,917.54**	**296,701,946.79**

(3) List of drawing scheme

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance	2,735,016.59	133,408,908.71	133,706,379.06	2,437,546.24
2. Unemployment insurance	208,233.05	7,482,613.86	7,565,598.89	125,248.02
3.Enterprise annuity payment	—	—	—	—
Total	**2,943,249.64**	**140,891,522.57**	**141,271,977.95**	**2,562,794.26**

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.

23. Taxes payable

Item	Closing balance	Opening balance
VAT	24,559,393.58	20,418,188.02
Corporate income tax	42,937,116.01	19,390,598.86
Business tax	1,680,131.18	2,324,282.84
Urban maintenance and construction tax	801,349.04	3,782,136.88
Building taxes	4,189,253.27	2,562,910.90
Vehicle and vessel tax	—	5,518.64
Land use tax	7,582,506.98	7,442,367.91
Personal income tax	4,086,658.32	2,729,438.44
Resource tax	25,495.48	25,495.48
Stamp tax	675,660.09	595,073.68
Tariffs	1,793,004.08	101,468.84
Education surtax	548,155.02	2,133,261.40
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	2,220,266.89	2,349,560.67
Fund for disposing abandoned appliances and electronic products	21,403,104.00	24,839,026.00
Others	54,911.91	690,635.96
Total	**112,557,005.85**	**89,389,964.52**

24. Interest payable

Item	Closing balance	Opening balance
Short-term loan with interest	15,761,623.95	34,945,870.48
Documentary credit and interest payable paid on behalf	4,460,794.48	—
Others	2,650,000.00	—
Total	**22,872,418.43**	**34,945,870.48**

25. Other accounts payable

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

Item	Closing balance	Opening balance

Item	Closing balance	Opening balance
Accrued expenses	862,532,739.03	870,823,469.03
Guarantee	253,375,271.47	204,287,440.86
Other	109,567,862.89	109,739,335.69
Turnover amount	100,800,186.16	157,054,450.95
Payment made on behalf	50,527,321.48	49,491,434.44
Total	**1,376,803,381.03**	**1,391,396,130.97**

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

Item	Closing balance	Unpaid/ Un-carry-over reason
Zhenhua Group (Kunshan) Construction Engineering Co., Ltd.	5,400,000.00	Guarantee money of project
Shanghai Herryda International Logistics Limited	4,050,000.00	Guarantee money
Nantong Xinhua Construction Group Co., Ltd.	5,000,000.00	Guarantee money of project
Shanghai Shensy Logistics Co., Ltd.	2,600,000.00	risk mortgage amount
Shanghai Yongxin Color CRT Ltd. Co., Ltd.	2,075,485.15	Guarantee money
Total	**19,125,485.15**	

26. Non-current liabilities due within 1 year

Item	Closing balance	Opening balance
Long-term loan due within 1 year (note 27, VI)	—	—
Long-term payable due within 1 year (note 28, VI)	1,525,465.53	1,755,444.00
Total	**1,525,465.53**	**1,755,444.00**

27. Long-term loan

Item	Closing balance	Opening balance
mortgage loan	51,976,957.13	5,000,000.00
Credit loan	905,564,253.39	—

Item	Closing balance	Opening balance
Less: Long-term loan due within 1 year (note 26, VI)	—	—
Total	**957,541,210.52**	**5,000,000.00**

Notes: the mortgage asset category and amount of mortgage loan see note 50.

28 Long-term payables

Item	Closing balance	Opening balance
Chuzhou Tongchuang Jianshe Investment Co., Ltd.	30,000,000.00	30,000,000.00
Accrued financial lease outlay	1,555,455.63	3,121,974.13
Less: due within 1 year (note 27, VI)	1,525,465.53	1,755,444.00
Total	**30,029,990.10**	**31,366,530.13**

29. 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	28,554,734.16	—
II. Dismission welfare	—	—
III. Other long term welfare	—	—
Total	**28,554,734.16**	**—**

(2) Changes of defined benefit plans

① Present worth of defined benefit plans obligation:

Item	Reporting period	Last period
I. Opening balance	—	—
II. Defined benefit cost recorded into current profits and losses	—	—
1. Current service cost	5,140,521.34	—
2. Previous service cost	23,200,807.83	—

Item	Reporting period	Last period
3. Settlement gains (loss "—")	—	—
4. Net interest	213,404.99	—
III. Closing balance	**28,554,734.16**	—

② Explanations of contents and related risks of defined benefit plans, and influences to future cash flow, time and uncertainties

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

1. Until March 31, 2014, internal early retirement pension for male over 55 years old and female over 45 years old, less than 5 years away from legal retirement age, is 2000 Yuan/ month. It is implemented until formal retirement.

2. Until March 31, 2014, internal early retirement pension for male over 50 years old and female over 40 years old, less than 10 years away from legal retirement age, is 1600 Yuan/ month. It is implemented until above age and internal early retirement pension is adjusted to 2000 Yuan/month until formal retirement.

3. Until March 31, 2014, internal early retirement pension for male under 50 years old and female under 40 years old, more than 10 years away from legal retirement age, is 1000 Yuan/ month. In the next month when age in personnel archives is within 5 years to legal retirement age, internal early retirement pension is adjusted to 1600 Yuan/month. It is implemented until formal retirement.

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

5. Seniority subsidies for internal early retirement are provided as follows: 15 Yuan/year for employees with working age more than 30 years (including 30 years); 10 Yuan/ year for those with working age less than 30 years and more than 25 years (including 25 years); and 6 Yuan/ year for those with working age less than 25 years. Working age is calculated on an annualized basis.

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

It is to analyze from the changes of labor turnover, death and social security payment base. Future cash flow of the Company is 34,931,714.55.

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

Major assumptions estimated	Closing period	Closing period 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%	—

30 Accrued liabilities

Item	Closing balance	Opening balance	Formation reasons
Restructuring obligations	911,085.41	—	
Total	**911,085.41**	—	

31. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Public subsidy	131,658,369.11	42,737,500.00	27,079,870.09	147,315,999.02	—
Total	**131,658,369.11**	**42,737,500.00**	**27,079,870.09**	**147,315,999.02**	—

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
Industrialization project of large size liquid crystal display module (LCM)	6,800,000.00	—	2,400,000.00	—	4,400,000.00	Related to the assets
R&D and industrialization of integrated module of flat TV set	2,625,000.00	—	900,000.00	—	1,725,000.00	Related to the assets
R&D and industrialization of integrated DTMB	4,509,999.93	—	1,640,000.04	—	2,869,999.89	Related to the assets
Fund for flat panel display industry in year 2008	8,499,999.98	—	2,000,000.04	—	6,499,999.94	Related to the assets
Key technology and industrialization of LED Backlight of flat TV set	5,000,000.00	—	249,999.99	—	4,750,000.01	Related to the assets
R&D of mating core	3,750,000.00	1,870,000.00	—	—	5,620,000.00	Related to

chip based on the terminal of AVS/DRA						the assets
R&D and industrialization of new-type smart television with man-machine interaction	3,750,000.00	1,870,000.00	—	363,106.79	5,256,893.21	Related to the assets
R&D and industrialization of new-type terminal application service system of internet	2,650,000.00	1,000,000.00	600,000.00	—	3,050,000.00	Related to the assets
Subsidies for supporting equipment of liquid crystal module project	21,060,000.00	—	3,510,000.00	—	17,550,000.00	Related to the assets
Funds for scientific and technological innovation and special guidance of achievements transfer	3,000,000.00	—	—	—	3,000,000.00	Related to the assets
Special Fund of Strategic Emerging Industry Development of Dongguan Financial Bureau (High-End New Electronic Information)	4,800,000.00	—	600,000.00	—	4,200,000.00	Related to the assets
R&D and industrialization of large size liquid crystal display module	6,000,000.00	—	2,400,000.00	—	3,600,000.00	Related to the assets
Infrastructure subsidy	11,550,000.00	—	—	—	11,550,000.00	Related to the assets
TV application oriented and embedded operating system development	1,700,000.00	770,000.00	—	—	2,470,000.00	Related to the assets
Supporting triple play smart TV and system	2,000,000.00	—	—	—	2,000,000.00	Related to

support platform						the assets
Supporting the next generation Internet intelligent terminal system research projects	8,508,737.85	—	—	—	8,508,737.85	Related to the assets
Smart TV industry chain of Konka Group Co., Ltd.	—	13,500,000.00	—	700,000.00	12,800,000.00	Related to the assets
Research and development and industrialization of Dual channel new 3 D smart TV	—	2,030,000.00	—	—	2,030,000.00	Related to the assets
Digital home intelligent system with multiple screen fusion	—	2,800,000.00	—	—	2,800,000.00	Related to the assets
Industrialization technological transformation of large precise multi-color injection mold based on green Manufacturing	2,306,083.75	427,400.00	473,942.38	—	2,259,541.37	Related to the assets
2010-2012 provincial finance's supporting matching fund for industrial technology progress project	—	4,200,000.00	1,260,000.00	—	2,940,000.00	Related to the assets
Machine module integration subsidy	—	3,000,000.00	225,000.00	—	2,775,000.00	Related to the assets
Research instruments subsidies	—	2,104,000.00	35,066.67	—	2,068,933.33	Related to the assets
Supporting the research and development and industrialization of synergy internet-connected digital products	1,600,000.00	—	—	—	1,600,000.00	Related to the assets
Other	19,572,338.80	5,256,100.00	4,349,250.74	1,057,600.00	19,421,588.06	Related to

						the assets
Subtotal	**119,682,160.31**	**38,827,500.00**	**20,643,259.86**	**2,120,706.79**	**135,745,693.66**	—
Other	11,976,208.80	3,910,000.00	2,165,903.44	2,150,000.00	11,570,305.36	Related to income
Subtotal	**11,976,208.80**	**3,910,000.00**	**2,165,903.44**	**2,150,000.00**	**11,570,305.36**	
Total	**131,658,369.11**	**42,737,500.00**	**22,809,163.30**	**4,270,706.79**	**147,315,999.02**	

32. Share capital

Item	Opening balance	Increase/decrease (+/-)					Closing balance
		Issuing new shares	Bonus shares	Capitalization of public reserves	Other	Subtotal	
Total shares	1,203,972,704	—	—	—	—	—	1,203,972,704

33. Capital reserves

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	1,211,366,082.55	—	—	1,211,366,082.55
Other capital reserves	103,043,605.27	149,898.75	20,809,998.02	82,383,506.00
Total	1,314,409,687.82	149,898.75	20,809,998.02	1,293,749,588.55

Note: the increase of capital reserve was the income of the sale of odd lots which increase capital reserve of RMB 149,898.75, the decrease of capital reserve were other changes of owner's equity of invested associated enterprises except net profit and loss, other comprehensive income and profits allocation, the Company calculated shares should be enjoyed in line with shareholding proportion, adjusted book value of long term equity investment and meanwhile decrease capital reserve (other capital reserve) RMB 9,991,699.59 and decrease capital reserve RMB 10,818,298.43 due to purchase of minority equity.

34. Other comprehensive income

Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
I. Other comprehensive income can note be reclassified into profits and losses in future							
II. Other comprehensive income reclassify into profits and losses							
Of which: other comprehensive income as per equity method recognized into profit							

Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
and loss in future							
Profits or losses in fair value of available for sale assets		688,609.70		172,152.42	516,457.28		516,457.28
Converted amount of foreign currency financial statements	16,179,316.17	-524,295.54			-588,637.70	64,342.16	15,655,020.63
Total other comprehensive income	16,179,316.17	164,314.16		172,152.43	-72,180.43	64,342.16	16,171,477.91

35. Surplus reserves

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	593,846,200.71	—	—	593,846,200.71
Discretional 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 tot the net profits. If the accumulated amount of the statutory surplus reserves exceeded the 50% of the registered capital, the Company could no more withdraw.

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

36. Retained profits

Item	2014	2013
Opening balance of retained profits before adjustments	737,991,722.40	725,485,704.10
Total opening balance of retained profits before adjustments(increase+, decrease -)	-32,552,764.33	-33,210,256.96
Opening balance of retained profits after adjustments	705,438,958.07	692,275,447.14
Add: Net profit attributable to owners of the Company	52,623,527.86	45,820,496.73
Less: Withdrawal of statutory surplus reserves	—	20,617,258.76
Withdrawal of discretional surplus reserves	—	—
Dividend of common stock payable	12,039,727.04	12,039,727.04
Dividend of common stock transfer into share capital	—	—
Closing retained profits	**746,022,758.89**	**705,438,958.07**

RMB -32,552,764.33 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.

37. Revenue and Cost of Sales

(1) Revenue, Cost of Sales

Item	2014		2013	
	Revenue	Cost	Revenue	Cost

Item	2014		2013	
	Revenue	Cost	Revenue	Cost
Main operation	19,075,390,465.68	16,470,276,359.36	19,754,547,950.84	16,461,290,916.72
Other operation	348,098,528.39	264,123,293.65	252,188,927.98	199,690,706.41
Total	**19,423,488,994.07**	**16,734,399,653.01**	**20,006,736,878.82**	**16,660,981,623.13**

(2) Main business (Classified by industry)

Industry	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Electronic industry	19,075,390,465.68	16,470,276,359.36	19,754,547,950.84	16,461,290,916.72
Total	**19,075,390,465.68**	**16,470,276,359.36**	**19,754,547,950.84**	**16,461,290,916.72**

(3) Main business (Classified by product)

Product	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Color TV business	13,925,105,846.46	11,720,606,771.83	15,904,547,663.26	13,072,644,058.73
Mobile phone business	1,587,898,794.07	1,443,167,712.05	1,551,294,607.93	1,418,629,105.82
Consumer appliances business	1,277,294,037.34	1,106,574,443.35	1,369,927,530.08	1,204,755,092.16
Trade business	664,281,113.23	661,984,311.79	928,778,149.57	765,262,660.01
Other	1,620,810,674.58	1,537,943,120.34	—	—
Total	**19,075,390,465.68**	**16,470,276,359.36**	**19,754,547,950.84**	**16,461,290,916.72**

(4) Main business (Classified by area)

Area	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Domestic sales	11,383,700,090.53	9,119,381,976.03	15,775,639,484.85	12,808,035,030.73
Overseas sales	7,691,690,375.15	7,350,894,383.33	3,978,908,465.99	3,653,255,885.99
Total	**19,075,390,465.68**	**16,470,276,359.36**	**19,754,547,950.84**	**16,461,290,916.72**

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

Period	Main business revenue	Proportion of total business revenue (%)
2014	3,303,518,733.47	17.01
2013	3,743,686,942.08	18.71

38. Business tax and surcharges

Item	2014	2013
Business tax	15,402,472.92	4,884,929.13
Urban maintenance and construction tax	25,484,992.48	35,148,685.30
Education surtax	11,910,616.10	16,545,296.63
Local education surtax	7,161,448.26	9,463,642.84
Water conservancy fund	321,276.71	396,619.18
Other	246,842.03	47,055.93
Total	**60,527,648.50**	**66,486,229.01**

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

39. Sales expenses

Item	2014	2013
Remuneration	338,757,235.53	367,137,668.47
Employee benefits	21,422,207.70	23,280,324.64
Depreciation cost	4,750,527.35	4,563,216.54
Amortization of low cost and short lived articles	343,673.94	72,635.27
Warranty fee	356,644,116.73	341,782,350.16
Office expense	10,095,870.01	11,355,884.09
Utilities	2,709,847.00	3,097,296.70
Telephone bill	8,657,457.46	9,876,408.50
Business travel charges	48,775,736.17	50,870,292.54
Logistic Fee	330,079,606.13	332,082,150.18

Item	2014	2013
Advertising	323,941,757.16	323,246,861.57
Social security charges	41,333,299.95	41,142,006.09
Employee training (education)	3,186,737.08	550,383.55
Rental fees	38,657,989.50	42,526,493.22
Vehicle costs	14,530,898.21	15,452,592.14
Taxes and fund	43,186,978.81	72,897,750.18
business entertainment expense	32,972,790.82	41,719,391.52
Promotional activities	683,005,077.40	797,415,415.24
Exhibition fee	55,610,762.72	13,153,397.71
Other	55,805,618.06	56,380,628.68
Total	**2,414,468,187.73**	**2,548,603,146.99**

40. Administration expense

Item	Reporting period	Same period of last year
R & D expenses	219,399,363.99	229,737,325.10
Payroll	165,516,874.48	164,526,928.99
Depreciation expense	31,024,535.63	32,805,608.71
Taxes and fund	25,049,605.88	28,679,224.85
Entertainment expense	22,533,491.49	22,692,569.96
Consulting fees	13,691,039.97	10,646,297.33
Travel charge	16,650,316.32	15,536,071.86
Social security charges	16,937,125.45	20,103,176.16
Labor union expenditure	3,498,113.34	7,040,856.43
Water and electricity charges	6,990,854.28	9,145,780.28
Patent fee	20,976,257.96	19,883,658.12
Employees welfare cost	42,924,507.44	12,664,113.23
Other	101,738,287.27	100,924,771.43
Total	**686,930,373.50**	**674,386,382.45**

41. Financial expenses

Item	Reporting period	Same period of last year
Interest expense	143,547,683.34	157,007,904.59
Less: Interest income	52,265,939.36	33,847,716.12

Item	Reporting period	Same period of last year
Gains or losses on exchange	35,174,225.81	-182,710,157.33
Other	6,307,854.67	-87,135.06
Total	**132,763,824.46**	**-59,637,103.92**

42. Asset impairment loss

Item	2014	2013
Bad debt loss	13,263,816.09	18,520,110.11
Inventory falling price loss	76,797,683.87	218,571,037.64
Impairment loss of available for sale financial assets	200,000.00	1,369,748.77
Fixed assets impairment losses	51,277,269.97	1,936,757.46
Total	**141,538,769.93**	**240,397,653.98**

43. Investment income

Item	2014	2013
Long-term equity investment measured by equity method	-7,901,784.31	-12,083,013.71
Investment income from the disposal of long-term equity investment	592,466,874.00	63,417,684.96
Investment income from financial assets measured by fair value and changes record into current profits and losses in holding period	—	—
Investment income from the disposal of financial assets measured by fair value and changes record into current profits and losses	—	—
Investment income from available for sale financial assets in holding period	48,104.52	21,115.80
Investment income from disposal of available for sale financial assets	—	—
After losing control, income from the remain equity recalculated by fair value	—	—
Income from trust management	12,260,439.18	3,629,363.44
Total	**596,873,633.39**	**54,985,150.49**

44. Non-operating gains

Item	2014	2013	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	4,740,033.90	12,490,980.31	890,507.64
Including：Gains from disposal of fixed assets	4,740,033.90	12,443,064.40	890,507.64
Gains from disposal of intangible assets	—	47,915.91	—
Government grants (Details, see the statement below, lists of government subsidies)	230,797,272.53	244,918,667.38	75,401,093.20
Income from compensation	—	2,306,193.90	—
Income from penalty	5,782,597.32	3,963,659.46	5,782,597.32
Supplier reparations	3,459,744.68	—	3,459,744.68
Other	14,097,774.58	10,894,964.20	21,712,995.52
	258,877,423.01	274,574,465.25	103,481,243.68

Government subsidies recorded into current profits and losses

Item	2014	2013	Related to the assets/ income
R&D subsidies	11,685,340.81	18,068,190.84	Related to the assets
Special funds for transformation and upgrade of provincial industry in 2010	533,000.00	500,000.00	Related to the assets
Subsidies for equipment projects and technology	4,144,550.38	5,900.00	Related to the assets
Special funds for technology reform	1,701,110.00	1,093,318.99	Related to the assets
Independent innovation award in 2013	1,163,400.00	—	Related to the income
Industrialization of large-size liquid crystal display module (LCM)	2,400,000.00	2,400,000.00	Related to the assets
LCD module project equipment matching subsidies	3,510,000.00	3,510,000.00	Related to the assets
Social security subsidies	598,800.00	444,000.00	Related to the income
Refunds on tax of embedded software	155,396,179.33	160,575,119.31	Related to the income
Special funds for small and medium-sized enterprise development	—	5,061,200.00	Related to the income
Finance discount	17,587,747.00	16,509,000.00	Related to the income

Item	2014	2013	Related to the assets/ income
Financial support	2,699,350.00	33,106,397.22	Related to the income
Reward for electromechanical products and high technology	206,000.00	105,000.00	Related to the assets
The L/C export subsidies	1,248,573.00	2,677,169.09	Related to the income
Award and subsidies	17,625,000.00	—	Related to the income
Post allowance	3,079,200.00	—	Related to the income
Other	7,219,022.01	—	Related to the assets /related to the income
Total	**230,797,272.53**	**244,918,667.38**	

45 Non-operating expenses

Item	Reporting period	Same period of last year	The amount included in the current non-recurring gains and losses
Total losses from disposal of non-current assets	9,752,806.72	14,360,857.36	9,752,806.72
Including：losses from disposal of fixed assets	9,752,806.72	9,801,457.36	9,752,806.72
losses from disposal of intangible assets	—	4,559,400.00	—
Losses from debt restructuring	—	—	—
Non-monetary asset exchange losses	—	—	—
External donation expenses	3,697,606.64	2,151,893.23	3,697,606.64
compensation expenses	—	4,200,000.00	—
Penalty expenses	511,646.80	950,173.46	511,646.80
Other	2,922,922.55	1,354,737.03	2,922,922.55
Total	16,884,982.71	23,017,661.08	16,884,982.71

46. Income tax expense

(1) Lists of income tax expense

Item	2014	2013

Item	2014	2013
Current income tax expense	71,438,757.75	30,886,237.55
Deferred income tax expense	-40,236,846.29	91,330,727.23
Total	**31,201,911.46**	**122,216,964.78**

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

Item	2014
Total profits	91,726,610.62
Current income tax expense accounted by tax and relevant regulations	22,931,652.67
Influence of different tax rate suitable to subsidiary	-38,888,194.02
Influence of income tax before adjustment	20,965,816.88
Influence of non taxable income	918,030.38
Influence of non- deductable costs, expenses and losses	10,343,818.75
Influence of deductable losses of deferred income tax assets derecognized used in previous period	-2,928,788.05
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	29,830,698.89
Changes of the balance of deferred income tax assets/ liabilities in previous period due to adjustment of tax rate	1,656,449.91
Influence of plus deducting costs	-13,627,573.95
Deferred income tax	31,201,911.46

47. Other comprehensive income

For details, see note 34, VI.

48. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities

Item	2014	2013
Current accounts	111,968,538.65	121,219,886.72
Income from government subsidy	94,150,553.85	123,978,350.84
Bargain money and deposit	71,752,956.44	90,132,939.19

Item	2014	2013
Interest income from bank deposits	57,755,954.05	23,478,910.77
Income from waste	19,084,574.26	6,461,866.93
Insurance claims	12,433,636.17	2,781,896.40
Other	11,943,717.32	6,303,726.76
Repayment of individual borrowing	9,278,645.25	20,520,135.64
Income from fine and penalty	1,678,292.56	3,767,689.25
Temporary received repair fund	1,672,413.78	1,037,073.05
Total	**391,719,282.33**	**399,682,475.55**

(2) Other cash paid relevant to operating activities

Item	2014	2013
Expense for cash payment	945,208,628.95	1,190,291,408.87
Current accounts	488,063,979.00	—
Payment for pledges, guarantee and repair	128,466,550.07	101,147,705.36
Expense for bank handling charges	32,130,320.70	6,282,484.01
Other expense	22,984,944.96	48,100,207.82
Employee reserve fund	20,729,008.95	20,726,535.43
Payment made on behalf	25,310,052.38	29,766,245.65
Donation expense	3,965,934.40	2,104,543.76
Compensation expense	189,014.66	4,200,000.00
Total	**1,667,048,434.07**	**1,402,619,130.90**

(3) Other cash received relevant to investment activities

Item	2014	2013
Received financial product	2,422,400,000.00	—
Interest of equity transfer	2,472,043.31	—
Total	**2,424,872,043.31**	—

(4) Other cash paid relevant to investment activity

Item	2014	2013
Purchase of financial product	2,422,900,000.00	—
Entrust loans	50,000,000.00	—
Other	183,497.35	—
Total	**2,473,083,497.35**	—

(5) Other cash received relevant to financing activities

Item	2014	2013
Receipt and return of pledged RMB fixed deposits upon maturity	576,549,112.55	1,373,173,635.00
Other	408,029.15	—
Total	**576,957,141.70**	**1,373,173,635.00**

(6) Other cash paid relevant to financing activities

Item	2014	2013
Deposit of guarantee money used for pledge	579,030,740.04	513,255,904.46
Financing lease	1,755,444.00	956,440.00
Fundraising serve charge	42,712,205.12	—
Total	**623,498,389.16**	**514,212,344.46**

49. Supplemental information for Cash Flow Statement

(1) Supplemental information for Cash Flow Statement

Supplemental information	Reporting period	Last period
1. Reconciliation of net profit to net cash flows generated from operations：		
Net profit	60,524,699.17	58,378,381.55
Add: Provision for assets impairments	141,538,769.93	240,397,653.98
Depreciation of fixed assets, oil-gas assets and productive biological assets	148,539,629.67	140,310,489.85
Amortization of intangible assets	11,917,420.27	10,403,679.19

Supplemental information	Reporting period	Last period
Amortization of long-term deferred expense	7,006,666.45	3,287,365.88
Losses/gains on disposal of property, intangible asset and other long-term assets (gains: negative)	5,012,772.82	1,869,877.05
Loss on retirement of fixed assets (gains: negative)	—	—
Losses/gains from variation of fair value (gains: negative)	—	—
Financial cost (income: negative)	143,547,683.34	-35,590,849.10
Investment loss (gains: negative)	-596,873,633.39	-53,519,594.98
Decrease in deferred tax assets (increase: negative)	-40,787,656.85	92,174,937.15
Increase in deferred tax liabilities (decrease: negative)	1,049,498.77	-563,067.21
Decrease in inventory (increase: negative)	-290,565,252.54	476,670,024.99
Decrease in accounts receivable from operating activities (increase: negative)	-477,515,066.98	520,585,139.55
Increase in accounts payable from operating activities (decrease: negative)	-81,333,719.59	828,850,162.99
Others	15,657,629.91	—
Net cash flows generated from operating activities	**-952,280,559.02**	**2,283,254,200.89**
2. Investing and financing activities that do not involving cash receipts and payment:		
Liabilities transfer 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	1,846,556,328.79	1,771,489,421.21
Less: Opening balance of cash	1,771,489,421.21	824,043,169.37
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	**75,066,907.58**	**947,446,251.84**

(2) Net Cash paid of obtaining the subsidiary

Item	Amount
Cash and cash equivalents received from the disposal of subsidiary in reporting period. .	252,687,800.00
Of which: Shanxi Konka Electronic Co., Ltd.	5,000,000.00
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	247,687,800.00
Less: Cash and cash equivalents held by the subsidiary on the date that losing control	15,865,344.48
Of which: Shanxi Konka Electronic Co., Ltd.	9,069,709.02
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	6,795,635.46
Add: Cash and cash equivalents received in reporting period from disposal of subsidiary in previous period	48,579,391.25
Of which: Chongqing Konka Electronic Co., Ltd.	48,579,391.25
Net cash received from disposal of subsidiary	285,401,846.77

(3) Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,846,556,328.79	1,771,489,421.21
Of which: Cash on hand	5,118.98	18,884.53
Bank deposit on demand	1,846,551,209.81	1,771,470,536.68
II. Cash equivalents		—
Of which: Bond investment due within three months	—	—
III. Closing balance of cash and cash equivalents	1,846,556,328.79	1,771,489,421.21

Note: cash and cash equivalents did not include restricted cash and cash equivalents that Company used

50. The assets with the ownership or use right restricted

Item	Closing book value	Restricted reason
Subtotal of assets for guarantee	**80,299,992.70**	
Intangible assets	80,299,992.70	On 12 Aug. 2013 the Company's subsidiary Kunshan Kangsheng Investment Development Co., Ltd. signed Fixed Assets Loan Contract with CCB, Kunshan Branch, which agreed that the maximum loan of secure claims of the contract was RMB 150 million, mortgaged the land used right

Item	Closing book value	Restricted reason
		of CKGY(2013 No. 1201211700. As of 31 Dec. 2014, the aforesaid book value of land use right of RMB 80,299,992.70 (original book value RMB 88,201,364.97) was pledged for obtaining long term loan of RMB 51,976,957.13.
Subtotal of assets with the ownership or use right restricted form by other reason:	**1,537,132,874.44**	
Other monetary funds	62,898,895.10	Each margin deposit for security can not be withdrawn at any time
Note payable	1,461,595,341.76	Pledged in bank as bill financing
Account receivable	12,638,637.58	The Company's controlling subsidiary Dongguan Konka Mould Plastic Co., Ltd., on 19 Aug. 2014, signed Domestic Factoring Contract (Contract No. (2014) 8800-103-036) with recourse rights with CCB, Dongguan Branch, the book value of account receivable of RMB 12,638,637.58 was considered as repayment, obtained short term loan of RMB 10 million.
Total	**1,617,432,867.14**	

51. Foreign currency monetary items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			**356,460,365.40**
Including: USD	56,081,000.22	6.1190	343,159,640.35
EUR	27,136.70	7.4556	202,320.38
HKD	10,271,569.09	0.7889	8,103,240.86
GBP	1.32	9.5437	12.60
IDR	9,990,228,981.24	0.0005	4,995,114.49
CAD	6.96	5.2755	36.72
Account receivable			**678,750,334.81**
Including: USD	108,147,100.21	6.1190	661,752,106.18
EUR	295,179.37	7.4556	2,200,739.31
HKD	9,837,533.65	0.7889	7,760,830.30
CAD	49,764.00	5.2755	262,529.98

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
IDR	13,548,258,080.79	0.0005	6,774,129.04
Other account receivable			**14,488,088.82**
Including: USD	454,005.57	6.1190	2,778,060.08
EUR	15,338.17	7.4556	114,355.26
HKD	14,578,970.04	0.7889	11,501,349.46
IDR	188,648,034.50	0.0005	94,324.02
Account payable			**494,742,655.61**
Including: USD	58,677,113.41	6.1190	359,045,256.96
EUR	1,203,581.63	7.4556	8,973,423.20
HKD	129,893,490.67	0.7889	102,472,974.79
IDR	48,502,001,328.43	0.0005	24,251,000.66
Short term loan			**4,920,719,627.76**
Including: USD	804,170,555.28	6.1190	4,920,719,627.76
Long term loan			**890,130,930.00**
Including: USD	145,470,000.00	6.1190	890,130,930.00

VII. Changes of merge scope

1. Business merger not under same control

Single disposal of investment to subsidiary that losing control

Name of subsidiary	The equity disposal price	Equity disposal proportion (%)	Method of equity disposal	Time of losing control	Recognition basis of the time of losing control	The differences enjoyed of net assets share of the subsidiary in corresponding consolidated statements between the disposal of price and the disposal of investment
Video & Communication Systems	247,687,800.00	100.00	Transfer	2014.06.30	Equity transfer, and handle the business changes	248,048,215.38

Name of subsidiary	The equity disposal price	Equity disposal proportion (%)	Method of equity disposal	Time of losing control	Recognition basis of the time of losing control	The differences enjoyed of net assets share of the subsidiary in corresponding consolidated statements between the disposal of price and the disposal of investment
Engineering①						
Shaanxi Konka ②	45,957,180.00	60.00	Transfer	2014.12.31	Equity transfer, and handle the business changes	-27,384,521.30

(Continued)

Name of subsidiary	Residual equity proportion on the date of losing control (%)	Book value of residual equity on the date of losing control	Fair value of residual equity on the date of losing control	Profits or losses of residual equity recalculated in line with fair value	Recognition method and main assumption of fair value of residual equity on the date of losing control	Amount related to other comprehensive income transfer into investment profits or loss of original subsidiary equity investment
Video & Communication Systems Engineering①	—	—	—	—	—	—
Shaanxi Konka ②	—	—	—	—	—	—

Notes: ① On June 13, 2014, the Company signed equity transfer agreement with OCT, transferring 100% stock rights of video engineering to OCT with RMB 147,687,800. On June 23, 2014, equity change was registered in Shenzhen Market Supervisory Authority. The Company had received all payment of equity transfer and would not control the video engineering. Therefore, it was not included in consolidated scope from July 1, 2014.

② On July 17, 2014, the Company and its subsidiary Kangdian Investment signed equity transfer agreement with Shaanxi Ruyi Electronic Technology Co., Ltd, transferring the 45% and 15% stock rights of Shaanxi Konka with RMB 3,4467,885.00 and RMB 11,489,295.00. Until December 31, 2014, equity change had been registered and the Company would not control the video engineering. Therefore, it was not included in consolidated scope from January 1, 2015.

2. Changes of consolidated scope due to other causes

(1) On June 3, 2014, the Company and Shenzhen Konka Capital Investment Partnership Enterprise (limited partnership) established Shenzhen Konka E-Display Co., Ltd with

registered capital of 12,000,000 Yuan, there into 7,200,000 Yuan contributed by the Company, occupying 60% of registered capital. The Company has the control power. From June 3, 2014, it is included into consolidated scope.

(2) On August 5, 2014, the Company's subsidiary, Dongguan Konka, established Xiamen Dalong Trading Co., Ltd with Guo Bing, Cheng Zuben and Dongying with registered capital of 2,600,000 Yuan, there into 1,800,000 Yuan contributed by Dongguan Konka, occupying 69.23% of registered capital. The Company has the control power. From August 5, 2014, it is included into consolidated scope.

(3) On November 26, 2014, the Company's subsidiary, Konka Guangdian established Tianjin Youshi Kangrong Culture Communication Co., Ltd with Beijing Changrong Culture Communication Co., Ltd with registered capital of 70,000,000 Yuan, thereinto 49,000,000 Yuan contributed by Konka Guangdian, occupying 70% of registered capital. The Company has the control power. From November 26, 2014, it is included into consolidated scope.

VIII. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Telecommunications Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacture	75.00	25.00	Set up or investment
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacture	100.00	—	Set up or investment
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.①	·Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacture	—	46.31	Set up or investment
Shenzhen Konka Electronic Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Electrical Appliances Retail	100.00	—	Set up or investment
Shenzhen Konka Information Network Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacture	75.00	25.00	Set up or investment
Shenzhen Konka Plastic Products Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacture	49.00	51.00	Set up or investment
Shenzhen Konka Life Electronic Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacture	75.00	25.00	Set up or investment
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Investment	75.00	25.00	Set up or

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
			holding			investment
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang, Heilongjiang	Mudanjiang, Heilongjiang	Manufacture	60.00	—	Set up or investment
Shanxi Konka Electronic Co., Ltd.	Xianyang, Shaanxi	Xianyang, Shaanxi	Manufacture	45.00	15.00	Set up or investment
Chongqing Konka Eurotomotive Electronic Co., Ltd.	Chongqing	Chongqing	Manufacture	57.00	—	Set up or investment
Chongqing Konka Electronic Co., Ltd.②	Chongqing	Chongqing	Manufacture	—	40.00	Set up or investment
Anhui Konka Electronic Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacture	78.00	—	Set up or investment
Anhui Konka Appliance Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacture	—	100.00	Set up or investment
Changshu Konka Electronic Co., Ltd. Konka Electronic Co., Ltd.	Changshu, Jiangsu	Changshu, Jiangsu	Manufacture	—	60.00	Set up or investment
Kunshan Konka Electronic Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	Manufacture	100.00	—	Set up or investment
Dongguan Konka Electronic Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacture	75.00	25.00	Set up or investment
Dongguan Konka Packing Materials Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacture	—	100.00	Set up or investment
Dongguan Konka Mould Plastic Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacture	—	59.73	Set up or investment

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
Boluo Konka PCB Co., Ltd.	Boluo， Guangdong	Boluo， Guangdong	Manufacture	—	51.00	Set up or investment
Boluo Konka Precision Technology Co., Ltd.	Boluo, Guangdong	Boluo, Guangdong	Manufacture	—	100.00	Set up or investment
Konka (Nanhai) Development Center	Foshan, Guangdong	Foshan, Guangdong	Software development	100.00	—	Set up or investment
Hong Kong Konka Co., Ltd.	Hong Kong, China	Hong Kong, China	International trade	100.00	—	Set up or investment
Konka Household Appliances Investment & Development Co., Ltd.	Hong Kong, China	Hong Kong, China	Investment holding	—	100.00	Set up or investment
Konka Household Appliances International Trading Co., Ltd.	Hong Kong, China	Hong Kong, China	International trade	—	100.00	Set up or investment
KONKA AMERICA,INC.	The USA	The USA	International trade	100.00	—	Set up or investment
Konka (Europe) Co., Ltd.	Frankfurt, Germany, Europe	Frankfurt, Germany, Europe	International trade	100.00	—	Set up or investment
Dongguan Xutongda Mould Plastic Co., Ltd.③	Dongguan Guangdong	Dongguan Guangdong	Manufacture	—	46.31	Set up or investment
Shenzhen Konka Optoelectronic Technology Co., Ltd.	Guangdong Shenzhen	Guangdong Shenzhen	Software development	100.00	—	Set up or investment

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
Shenzhen Wankaida Science and Technology Co., Ltd.	Guangdong Shenzhen	Guangdong Shenzhen	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.④	Chuzhou Anhui	Chuzhou Anhui	Manufacture	100.00	—	Set up or investment
Indonesia Konka Electronics Co., Ltd.	Indonesia	Indonesia	International trade	—	51.00	Set up or investment
Shenzhen Shushida Logistics Service Co., Ltd.	Guangdong Shenzhen	Guangdong Shenzhen	Logistics	100.00	—	Set up or investment
Beijing Konka Electronic Co., Ltd.	Beijing	Beijing	Sale of home appliance	100.00	—	Set up or investment
Kunshan Jielunte Mould Plastic Co., Ltd.⑤	Kunshan Jiangsu	Kunshan Jiangsu	Manufacture	—	46.31	Set up or investment
Wuhan Jielunte Mould Plastic Co., Ltd.⑤	WuhanHubei	WuhanHubei	Manufacture	—	46.31	Set up or investment
Chuzhou Jielunte Mould Plastic Co., Ltd.⑤	Chuzhou Anhui	Chuzhou Anhui	Manufacture	—	46.31	Set up or investment
Shenzhen Konka E-display Co., Ltd.⑥	Guangdong Shenzhen	Guangdong Shenzhen	Manufacture	60.00	—	Set up or investment
Xiamen Dalong Trade Co., Ltd.	Fujian Xiamen	Fujian Xiamen	Commerce	—	69.23	Set up or investment

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
Tianjin Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Other	—	70.00	Set up or investment

Notes: ① The Company holds 46.31% of shares of Shenzhen Konka Precision Mold Manufacturing Co., Ltd., Konka Household Appliances Investment & Development Co., Ltd, a subsidiary company of the Company, is entrusted to manage 6.18% shares held by Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd. After the entrustment, the percentage of voting rights of the Company increases to 52.49%. Therefore, the financial statements of Shenzhen Konka Precision Mold Manufacturing Co., Ltd. are combined into the consolidated financial statements. Xutongda is a wholly funded subsidiary of Dongguan Konka Mould Plastic Co., Ltd and is also combined into the consolidated financial statements.

② 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.

③ Shenzhen Konka Precision Mold Manufacturing Co., Ltd. held 100% equity of Dongguan Xutongda Mould Plastic Co., Ltd., and the Company is the actual controller of Dongguan Xutongda Mould Plastic Co., Ltd., for the Company indirectly held 46.31% shares and 52.49% voting right of Dongguan Xutongda Mould Plastic Co., Ltd., which is combined into the consolidated financial statement.

④ Anhui Tongchuang is a limited company jointly invested and established by the Company and Chuzhou Tongchuang Construction Investment Co., Ltd. (hereinafter refer to as "Tongchuang Construction") with registration capital of RMB 180 million, of which each party invested in RMB 90 million respectively on contract. As to 31 Dec. 2010, Anhui Tongchuang with a paid-up capital of RMB 120 million (including paid-up capital of RMB 90 million of the Company, 75.00% of total paid-up capital; and paid-up capital of RMB 30 million of

Tongchuang Construction, 25.00% of total paid-up capital). According to contract sign by two parties, Tongchuang Construction has the rights of transferring stock ownership three years after the establishment of Anhui Tongchuang Company. Meanwhile, the Company can repurchase the said stock ownership and contracted with Tongchuang Investment Company that the Company shall receive fixed investment gains at 2% of actual capital invested by the Group annually. So the Company can conduct actual control to Anhui Tongchuang Company, and combines it into the consolidated financial statement.

⑤ Precision Mould held 100% equity of Kunshan Jielunte, Wuhan Jielunte and Chuzhou

Jielunte and was actually controlled by the Company. The Company indirectly held 46.31% equity of Jielunte and the 52.49% voting right of it, which is combined into the consolidated financial statement.

⑥ Shenzhen Konka E-display Co., Ltd was set up by the Company and Shenzhen Konka

Capital Investment Partnership Business(Limited partnership), registered capital was RMB 12 million, the both parties agreed that the Company invested 7.2 million, 60% of total capital, Shenzhen Konka Capital Investment Partnership Business(Limited partnership) invested 4.8 million 40% of total capital.

(2) Significant not wholly owned subsidiary

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Precision Mould	53.69	910,103.51	—	43514408.03
Anhui Konka	22.00	453,899.37	—	60,046,225.43
Dongguan Konka Mould Plastic Co., Ltd.	40.27	4,586,894.76	—	45301904.88
Dongguan Xutongda Mould Plastic Co., Ltd.	53.69	5,472,661.73	—	9231722.103

Not considering current offset

(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 liability
Anhui Konka	530,345,042.25	228,358,246.18	758,703,288.43	469,762,019.50	7,371,847.37	477,133,866.87
Dongguan Konka Mould Plastic Co., Ltd.	246,221,614.74	55,571,226.68	301,792,841.42	176,470,898.07	2,819,541.37	179,290,439.44
Dongguan Xutongda Mould Plastic Co., Ltd.	82,414,688.51	10,115,814.00	92,530,502.51	70,336,314.72	—	70,336,314.72
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	73,933,646.66	170,997,722.16	244,931,368.82	163,885,285.19	—	163,885,285.19

(Continued)

Name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liability
Anhui Konka	530,345,042.25	228,358,246.18	758,703,288.43	469,762,019.50	7,371,847.37	477,133,866.87

Name	Opening balance					
Dongguan Konka Mould Plastic Co., Ltd.	246,221,614.74	55,571,226.68	301,792,841.42	176,470,898.07	2,819,541.37	179,290,439.44
Dongguan Xutongda Mould Plastic Co., Ltd.	82,414,688.51	10,115,814.00	92,530,502.51	70,336,314.72	—	70,336,314.72
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	73,933,646.66	170,997,722.16	244,931,368.82	163,885,285.19	—	163,885,285.19

Name	Reporting period			
	Operating revenue	Net profits	Total comprehensive income	Cash flow of operating activities
Anhui Konka	4,505,390,088.43	1,528,671.19	1,528,671.19	65,694,893.41
Dongguan Konka Mould Plastic Co., Ltd.	280,476,981.47	11,391,059.19	11,391,059.19	42,523,300.53
Dongguan Xutongda Mould Plastic Co., Ltd.	154,952,772.16	10,192,895.26	10,192,895.26	14,313,157.43
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	177,708,791.65	1,695,078.23	1,695,078.23	1,018,798.67

Name	Same period of last year			
	Operating revenue	Net profits	Total comprehensive income	Cash flow of operating activities
Anhui Konka	3,939,291,643.07	38,984,451.16	38,984,451.16	5,806,035.10

Name	Same period of last year			
Dongguan Konka Mould Plastic Co., Ltd.	300,604,788.78	15,586,160.67	15,586,160.67	-16,515,965.14
Dongguan Xutongda Mould Plastic Co., Ltd.	87,452,794.35	56,352.75	56,352.75	3,813,106.58
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	169,114,864.81	8,933,344.48	8,933,344.48	48,143,168.30

2. The transaction of the Company with its owner's equity share changed but still controlling the subsidiary

(1) Note to owner's equity share changed in subsidiary

① Purchase of minority interest of Anhui Konka Appliance Co., Ltd.

② Purchase of minority interest of Shenzhen Konka Appliance Co., Ltd.

(2) The transaction's influence to equity of minority shareholders and attributable to the owner's equity of the parent company

Item	Anhui Konka Appliance Co., Ltd.	Shenzhen Konka Appliance Co., Ltd.
Purchase of cost consideration		
-Cash	4,749,558.74	1.00
-Fair value of non cash assets		-
Total of purchase of cost consideration	4,749,558.74	1.00
Less: Net assets proportion of subsidiary calculated by equity proportion obtained	2,983,577.09	-9,052,315.78
Balance	1,765,981.65	9,052,316.78
Of which: capital reserves adjusted (- decrease)	-1,765,981.65	-9,052,316.78
Surplus reserve adjusted		
Retained profits adjusted		

3 Equity in joint venture

(1) Significant joint venture

Name	Main operating place	Registration place	Business nature	Proportion (%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Shenzhen Refond Optoelectronics Co., Ltd.	Shenzhen	Shenzhen	Manufacturing and selling LEDs	6.79	—	Equity method
Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai	Shanghai	Manufacturing and selling LEDs	28.04	—	Equity method
Shanghai Konka Green Science and Technology Co., Ltd.	Shanghai	Shanghai	Manufacturing and selling LEDs	39.00	—	Equity method

(2) Main financial information of significant joint venture

Item	Closing balance /2014			Opening balance /2013		
	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shenzhen Refond Optoelectronics Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shenzhen Refond Optoelectronics Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.
Current assets		649,575,414.28	476,703,490.64		533,986,169.63	490,259,317.75
Non-current assets		594,576,517.13	228,455,686.18		378,786,274.60	144,980,187.04
Total assets		1,244,151,931.41	705,159,176.82		912,772,444.23	635,239,504.79
Current liabilities		575,506,963.41	66,932,415.14		289,431,590.05	84,662,009.26
Non-current liabilities		28,510,651.91	119,562,409.62		32,288,784.28	14,807,284.30
Total liabilities		604,017,615.32	186,494,824.76		321,720,374.33	99,469,293.56
Minority interests		396,376.69	11,591,006.22		—	18,834,444.66
equity attributable to owners of the Company		639,737,939.40	507,073,345.84		591,052,069.90	516,456,465.81
Net assets proportion calculated by shareholding ratio		43,425,481.67	197,758,604.87		111,728,834.57	201,418,021.67

Item	Closing balance /2014			Opening balance /2013		
	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shenzhen Refond Optoelectronics Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shenzhen Refond Optoelectronics Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.
Adjusting events						
-Goodwill						
-Retained profits of internal transaction						
-Other					3,385,402.80	64,335.28
Book value of investment to associated enterprise	115,139,968.77	43,425,481.67	197,758,604.87	108,633,724.22	115,114,237.42	201,482,356.95
Fair value of equity investment of associate enterprises with public offer						
Operating income	150,182,731.09	906,849,275.86	112,916,555.92	90,297,290.72	681,984,216.24	36,728,429.93
Net profits	-30,454,225.45	23,740,145.68	-17,156,386.16	-56,691,497.61	56,603,840.62	-7,064,826.51
Net profits of termination operation						
Other comprehensive income			152,885.18			-164,962.26

Item	Closing balance /2014			Opening balance /2013		
	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shenzhen Refond Optoelectronics Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shenzhen Refond Optoelectronics Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.
Total comprehensive income	-30,454,225.45	23,740,145.68	-17,003,500.98	-56,691,497.61	56,603,840.62	-7,229,788.77
Equity received from associated enterprises in reporting period						

IX. Risks related to financial instruments

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

The Company uses sensitive analysis to analyze rationality of risk variables and possible influences to current profits and losses or equity interests. Because risk variables are not happened independently, correlation of variables to certain risk variable may affect the final amount. Therefore, the following items are conducted under assumptions of each variable changing independently.

(1) 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. The foreign exchange risk borne by the Company is related to US dollars, except the procurement and sales by US dollars for several subsidiaries. Until December 31, 2014 (refer to Note VI 51, foreign monetary items), foreign exchange risks may affect the business performance produced by the assets and liabilities of the balance.

(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 risks

For the equity investment of other listed companies holding by the Company, the management considers that the market price risks are acceptable. Refer to Note VI, 9 Available-for-sale financial assets for equity investment of other listed companies holding by the Company.

2. Credit risk

On 31 Dec. 2014, 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, on each balance sheet date, reviews every single receivable recycling situation, to ensure that the money unable to recycle withdraw fully provision for bad debt. Thus, the management of the Company believed that the Company had greatly reduced the credit risk.

The Company's working capital was deposit in bank with better risk management, thus the risk of working capital was low.

3. Liquidity risk

When managing liquidity risk, the Company maintained the management's believe that 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. The management of the Company supervised the usage of bank loan and ensured complying with borrowing agreement.

X. The disclosure of the fair value

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

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement				
(II) Available for sale financial assets				
1. Debt instruments investment	—	—	—	—
2. Equity instrument investment	1,630,609.00	—	—	1,630,609.00
3. Other	—	—	—	—
Total assets continue to calculated by fair	1,630,609.00	—	—	1,630,609.00

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
value				
Total assets inconsistently calculated by fair value	—	—	—	—

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

The Company held common shares of Vanke A at the end of the reporting period, 117,310.00 shares and the closing fair value was 1,630,609.00 recognized and calculated in line with the closing price RMB 13.90 on 31 Dec. 2014.

XI. Related party and related Transaction

1. Information related to parent company of the Company

Name of parent company	Registered place	Business scope	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
OCT ENTERPRISES CO.	Shenzhen	Tourism, real estate, electronics industry	6.3billion	21.75	21.75

Notes: The finial control of the Company was the State-owned Assets Supervision and Administration Committee

2. Subsidiaries of the Company

For details, see note 1. Equity in subsidiary, VIII

3. Information on the joint ventures of the Company

The details of significant joint venture of the Company see note 10. Equity investment VI

4. Information on other related parties of the Company

Name	Relationship

Shenzhen OCT East Co., Ltd.	Under the same actual controller
Shanghai OCT Investment Development Co., Ltd.	Under the same actual controller
Chengdu Tianfu OCT Industrial Development 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 Huayou 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
Huizhou Huali Packaging Co., Ltd.	Under the same actual controller
Shenzhen Overseas Chinese Town Gas Station 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
Taizhou OCT Co., Ltd, Spa Hotel Branch	Under the same actual controller
Shenzhen OCT Real Estate Co., Ltd.	Under the same actual controller
Shenzhen the Windows of the world Co., Ltd.	Under the same actual controller
Tianjin OCT Industry Co., Ltd.	Under the same actual controller
Yunnan OCT Industry Co., Ltd.	Under the same actual controller
Shenzhen OCT Hotel Co., Ltd.	Under the same actual controller
Shenzhen Splendid China Development Co., Ltd	Under the same actual controller
Shenzhen OCT East Interlaken Hotel	Under the same actual controller
Shenzhen OCT Property Management Co., Ltd.	Under the same actual controller

5. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service

Related-party	Content	2014	2013
Shenzhen Refond Optoelectronics Co., Ltd.	Purchase materials	115,447,444.91	130,709,658.36
Anhui Huali Packaging (Huizhou) Co., Ltd.	Purchase materials	30,414,202.53	36,473,004.54
OCT Water & Electricity Company	Purchase materials	8,151,649.23	8,291,754.21
Huali Packaging (Huizhou)Co.,Ltd.	Purchase materials	11,499,212.38	14,463,872.70
Huizhou Huali Packaging Co., Ltd.	Purchase materials	—	17,289.35
Shanghai Huali Packaging Co., Ltd	Purchase materials	13,645,510.03	10,987,311.75
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Purchase materials	566,780.36	—
Shanghai Konka Green Science and Technology Co., Ltd.	Purchase materials	11,111.11	—

Transactions of selling commodities and providing labor services

Related-party	Content	2014	2013
Shanghai OCT Investment Development Co., Ltd.	Selling LCDs	—	1,076,666.66
Shanghai Tianxiang OCT Investment Co., Ltd.	Selling LCDs	—	2,102,307.68
Shenzhen the Windows of the world Co., Ltd.	Selling LCDs	—	11,705,128.21
Tianjin OCT Industry Co., Ltd.	Selling LCDs	—	8,615,384.62
Yunnan OCT Industry Co., Ltd.	Selling LCDs	—	658,119.66
Shanghai Konka Green Science and Technology Co., Ltd.	Selling LCDs, maintenance cost	12,131,664.24	9,789,844.96
Shenzhen Refond Optoelectronics Co., Ltd	Selling materials	16,539,304.45	15,199,158.31
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Repair processing fee income	1,653,832.38	—
Chengdu Tianfu OCT Industrial Development Co., Ltd.	Selling LCDs	19,658.12	—
Taizhou OCT Co., Ltd	Selling LCDs	35,000.00	—

(2) Related trusteeship/contract

① the Company as guarantor

Secured party	Guarantee amount	Start date	End date	Execution accomplished or not
Anhui Household Appliances	2,750.00	18 Sep. 2013	18 Sep. 2016	No
Hong Kong Konka	28,759.30	14 Mar. 2013	13 Mar. 2015	No
Hong Kong Konka	8,627.79	25 Mar. 2013	26 Mar. 2015	No
Hong Kong Konka	5,772.57	17 Mar. 2014	27 Mar. 2015	No
Hong Kong Konka	29,891.32	8 Oct. 2014	25 Mar. 2015	No
Konka Household Appliances International Trading	2,753.55	6 Mar 2014 年	27 Feb. 2015	No
Konka Household Appliances International Trading	8,872.55	31 Jul. 2014	10 Jun. 2015	No
Hong Kong Konka	5,507.10	30 Jun. 14	16 Jun. 2015	No
Hong Kong Konka	18,357.00	7 Jul. 2014	23 Jun. 2015	No
Hong Kong Konka	6,119.00	10 Oct. 2014	9 Oct. 2015	No
Hong Kong Konka	7,434.59	12 Nov. 2014	27 Oct. 2015	No
Hong Kong Konka	18,357.00	17 Nov. 2014	18 Nov. 2015	No
Hong Kong Konka	27,535.50	20 Nov. 2014	20 Nov. 2015	No
Hong Kong Konka	29,677.15	15 Jan. 2014	15 Jan. 2016	No
Hong Kong Konka	40,997.30	28 Jul. 2014	28 Jul. 2016	No
Hong Kong Konka	18,338.64	17 Sep. 2014	15 Sep. 2016	No
Shenzhen Konka Telecommunications Technology Co., Ltd.	60,000.00	8 Dec. 2014	7 Dec. 2017	No
Anhui Tongchuang	30,000.00	8 Dec. 2014	7 Dec. 2017	No
Shenzhen Konka Information Network Co., Ltd.	6,000.00	8 Dec. 2014	7 Dec. 2017	No
Konka Appliance Co., Ltd.	6,000.00	8 Dec. 2014	7 Dec. 2017	No
Dongguan Konka	10,000.00	8 Dec. 2014	7 Dec. 2017	No
Anhui Konka	20,000.00	8 Dec. 2014	7 Dec. 2017	No

Secured party	Guarantee amount	Start date	End date	Execution accomplished or not
Kunshan Konka	30,000.00	8 Dec. 2014	7 Dec. 2017	No
KonkaE-display	4,800.00	8 Dec. 2014	7 Dec. 2016	No

(3) Rewards for the key management personnel

Item	2014	2013
Rewards for the key management personnel	RMB 8.0290 million	RMB 8.2319

6. Receivables and payables of related parties

(1) Receivables

Item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable:				
Shanghai Konka Green Lighting Technology Co.,Ltd.	10,963,653.88	219,273.08	5,537,935.26	110,758.71
Yunnan Oct Industrial Co., Ltd	—	—	38,500.00	770.00
Shanghai Tianxiang OCT Investment Co., Ltd.	—	—	585,136.00	11,702.72
Shanghai OCT Investment Development Co., Ltd.	—	—	743,700.00	14,874.00
Shenzhen the Windows of the world Co., Ltd	—	—	2,821,500.00	56,430.00
Tianjin OCT Industry Co., Ltd.	—	—	3,024,000.00	60,480.00
Chengdu Tianfu OCT Industrial Development Co., Ltd.	512.40	512.40	512.40	256.20
Shenzhen OCT Hotel Co., Ltd.	—	—	69,500.00	3,475.00
Shenzhen Splendid China Development Co., Ltd	—	—	76,500.00	76,500.00
Shenzhen OCT East Interlaken Hotel	—	—	83,000.00	16,600.00
Shenzhen OCT East Co., Ltd	—	—	385,260.00	192,630.00
Shenzhen Refond Optoelectronics Co., Ltd	7,478,269.37	149,565.39	—	—
Taizhou OCT Co., Ltd. Spa Hotel Branch	35,000.00	700.00	—	—

Item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	1,260,956.45	25,219.13	—	—
Total	**19,738,392.10**	**395,270.00**	**13,365,543.66**	**544,476.63**
Other account receivable:				
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	5,405,926.42	—	—
Shenzhen Overseas Chinese Town Gas Station Co., Ltd.	80,000.00	80,000.00	80,000.00	80,000.00
Shenzhen OCT Real Estate Co., Ltd.	1,209,064.86	1,209,064.86	1,209,064.86	1,128,337.25
Shenzhen OCT Property Management Co., Ltd.	77,402.65	77,402.65	77,402.65	77,402.65
Shenzhen OCT Water and Power Co., Ltd.	776,572.25	15,531.45	1,069,029.14	213.81
Total	**20,258,992.27**	**6,787,925.38**	**2,435,496.65**	**1,285,953.71**

(2) Account payables

Item	Closing balance	Opening balance
Account payable		
Shenzhen Refond Optoelectronics Co., Ltd	6,531,068.31	84,065.78
Anhui Huali Packaging Co**.,** Ltd.	9,801,227.07	7,040,802.15
Shenzhen Huali Packing and Trading Co., Ltd.	1,078,005.09	13,957.02
Shanghai Huali Packing Co., Ltd.	1,782,812.82	1,623,863.52
Shenzhen Dekon Electronics Co.,Ltd.	358,929.03	356,545.32
Huali Packaging (Huizhou) Co., Ltd.	1,050,557.07	1,491,833.53
Total	**20,602,599.39**	**10,611,067.32**
Note payable		
Anhui Huali Packaging Co**.,** Ltd.	1,605,902.13	2,200,000.00
Huali Packaging (Huizhou) Co., Ltd.	5,143,401.86	—
Shenzhen Refond Optoelectronics Co., Ltd	12,339,062.14	—

Item	Closing balance	Opening balance
Total	**19,088,366.13**	**2,200,000.00**
Receivable in advance		
Shenzhen the Windows of the world Co., Ltd	81,000.00	—
Total	**81,000.00**	**—**
Other account payable:		
Huali Packaging (Huizhou) Co., Ltd.	1,130,000.00	—
Shanghai Huali Packing Co., Ltd.	1,530,000.00	130,000.00
Huali Packaging (Huizhou) Co., Ltd.	428,000.00	—
Shenzhen Refond Optoelectronics Co., Ltd	51,135.00	—
Total	**3,139,135.00**	**130,000.00**

XII. Commitments

1. Significant commitments

(1) Capital commitment

Item	Closing balance	Opening balance
Commitments signed but has not been recognized in financial statements		
- Purchase of long term capital commitment	—	—
- Contract with large amount	150,424,982.66	99,377,084.00
- Foreign investment commitments	—	—
Total	**150,424,982.66**	**99,377,084.00**

(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	23,767,119.89	14,847,302.73

2 year after balance date	11,062,103.32	10,295,864.04
3 year after balance date	8,442,535.17	9,344,862.38
Future years	6,735,380.75	8,757,379.65
Total	**50,007,139.13**	**43,245,408.80**

2. Contingency

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

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

On 4 Feb. 2013, the Company's subsidiary Kunshan Konka signed Purchase Order (Hereinafter referred to as "PO") with Italy customer MOTOM ELECTRONICS GROUP SPA (Hereinafter referred to as the "MEG"). The PO payment was 90 days L/C, L/C amount was $1.29744 million. MEG opened L/C which Kunshan Konka was beneficiary on 26 Feb, due to the problems of delivery time and related items, after the agreement of both parties, MEG respectively opened two revisions of L/C on 11 Mar. and 13 May. Then the Kunshan Konka entrusted Ningbo United International Freight Forwarding Co., Ltd. (Hereinafter referred to as the "Ningbo United") to book space, and Ningbo United signed and issued the carrier's bill of lading of Econolines Ltd. (Hereinafter referred to as the "Econolines" (No. NGB1305005\GNB1305016\NGB1305034) The whole case handover with Container delivery conditions of CY TO CY) on 5, 14 and 19 May 2013. According to the verification, after the goods arrived to the port of destination in Italy, the empty cargo container had returned to the shipping company, but the full set of original bill of lading was still in Kunshan Konka; Ningbo United and Econolines's behaviors of delivery of goods without original bill of lading had violated the "maritime law" and other relevant laws and regulations, Kunshan Konka had right to require Econolines return the goods. The total amount of the goods was $ 1,214,780.04, equivalents RMB 7,507,340.65, MEG received the goods but not pay the full amount of the goods to Kunshan Konka , the amount in arrear reached $1,100,000.00.

Which caused large loss to Kunshan Konka, the payment in arrears of MEG to Kunshan Konka was USD 1,099,423.52

Kunshan Konka entrusted Shanghai Jiajia Law firm to file a suit from Shanghai Maritime Court, requested Ningbo United and Econolines compensate for the loss of payment for goods USD 1,099,423.52 and its interest; meanwhile bear the fees for acceptance and property preservation application fee

On 26 May 2014, Shanghai Maritime Court made the first-instance judgment, which ordered Ningbo United and Econolines compensate for the loss of payment for goods USD 1,099,423.52 and its interest, and bear the fees for acceptance and property preservation application fee

In Jun. 2014 Ningbo United appealed to the Shanghai Higher People's Court against its sentence. Now the case waits for a second trial. On 24 Nov. 2014, the Second-instance trial, pending at present

(2) Contingent liabilities and its financial effect arising from loan guarantee offered to other companies

As of 31 Dec. 2014, there was no significant contingency in the Company.

(3) Contingent liabilities related to the investment of joint venture and associated enterprises.

As of 31 Dec. 2014, there was no significant contingency in the Company.

(4) Other contingent liabilities and its financial effects.

As of 31 Dec. 2014, there was no significant contingency in the Company.

XIII. Events after balance sheet date

2. Profit distribution after balance sheet date

On 1 Apr. 2015, the Company held the 71st Meeting of the 7th Session of Board of Directors, the meeting reviewed and approved the 2014 profits distribution preplan, which was: on the base of total equity of 1,203,972,704 shares, every 10 shares distribute RMB 0.1 (tax included) the preplan will submitted to the general meeting of shareholders for approval.

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 note VI, 12, (3)

(2) Minimum lease payment will be paid in future

The remaining lease term	The minimum lease payment
Within 1 year (including 1 year)	1,654,264.00
Within 1 year and 2 years (including 2 years)	31,684.00
Total	**1,685,948.00**

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

As of the balance sheet date, the balance of unrecognized financing charges was RMB130, 492.37; amortization method is the actual interest rate method.

Category of fixed assets leased by operating lease, please refer to note VI, 12 (4)

2. On 18 Nov. 2014, the Company and its subsidiary Shenzhen Konka Telecommunications Technology Co., Ltd. signed Credit Limit Agreement No. 2013ZZYEXZ0001005, which agree that the Company and Shenzhen Konka Telecommunications Technology Co., Ltd. gained general credit limit no more than RMB 5,300,000,000 by mortgaging bank acceptance no more than RMB 1,300,000,000, of which the Company performed as accreditor and Shenzhen Konka Telecommunications Technology Co., Ltd. as personnel with drawn right. Due date after extension: 22 Jan. 2015. As of 31 Dec. 2014, the Credit Limit had used RMB 3,826,000,000.00， unused RMB 1,474,000,000.00.

3. On 11 Jun. 2014, the Company signed Credit Contract No. J2014Z241JTB with CCB Shenzhen Sub-branch and gained general credit limit no more than RMB 5,000,000,000. Period of credit: 10 Jun. 2014 to 2016. 10 Jun. As of 31 Dec. 2014, the Credit Limit had used RMB 3,727,893,732.43，unused RMB 1,272,106,267.57.

4. On 21 Jun. 2014, the Company signed Comprehensive Credit Contract No.PYZYZZ 20140626 No. 005 with Ping An Bank Co., Ltd. Shenzhen Sub-branch and gained credit limit no more than RMB 500,000,000 which can be used in more currency credit. Period of credit: 29 Jun. 2014 to 29 Jun. 2015, the Credit Limit had used RMB 252,000,000.00，unused RMB 248,000,000.00.

5. On 4 Jun. 2014, the Company signed Comprehensive Credit Contract No. 2014 SYQHZZ No. 0006; credit limit was RMB 400,000,000， the specific businesses of credit were: loans, the responsibility for bills, bills discounting, open the L/C, packing loan, import bill advance, export bill advance, open letter of guarantee, etc

Period of credit: 4 Jun. 2014 to 4 Jun. 2015. As of 31 Dec. 2014, the Credit Limit had not yet been used

6. On 22 Apr. 2014, the Company signed Comprehensive Credit Contract No. CN11002022648-140416 with HSBC Bank (China) Co., Ltd. Shenzhen Sub-branch and gained loan of no more than $ 20 million, the period was 2 years after the withdrawal date. As of 31 Dec. 2014, the Credit Limit had used $10 ,000,000.00，unused $ 10,000,000.00.

7. As of 31 Dec. 2014, the Company opened L/G balance USD 300,000,000.00 and RMB 691,310,000.00 to its subsidiary Hong Kong Konka through credit bank and L/G balance USD 15,000,000.00and RMB 29,058,750.00to its subsidiary Konka Household Appliances International Trading.

8. On 2 Apr. 2014, the Company held 55th Meeting of the 7th Session of the Board of Directors. The meeting reviewed and approved Announcement on Authorizing the Management Level of the Company to Sell the Shares of the Participated Company by Choosing the Time. The Company's wholly own subsidiary Dongguan Konka Electronic Co., Ltd. held restricted A share 40,964,593 shares of Shenzhen Refond Optoelectronics Co. Ltd. (Stock No. 300241) in line with the commitment made by Dongguan Konka Electronic Co., Ltd. in the first public issue of Shenzhen Refond Optoelectronics Co. Ltd. the shares would be unlocked on 12 Jul. 2014.

9. The Company's subsidiaries Mudanjiang Konka, Changshu Konka and Chongqing Electronic were under liquidation.

10. On 4 Aug. 2014, the Company held 60th Meeting of the 7th Session of the Board of Directors, the meeting decided to cancel the subsidiary of the Company Nanhai Research Institution, as of 31 Dec. 2014, the cancellation was under processing.

11. Urban updating projects of Konka headquarter plant

According to the application proposed by the Company, Shenzhen Nanshan Reconstruction Office of Urban Village (old village) published the *Notice about the Subject of Implementation of Urban Updating Projects of Shenzhen Nanshan Konka Group Headquarter Plant* in November, 2012 for the publicity of the subject of implementation of urban updating projects of Konka Group headquarter plant.

In August, 2013, Overseas Chinese Town Group submitted the Comment Letter of Opposing Konka Group to be the Only Subject of: Implementation of the Urban Updating Projects of Konka Headquarter Plant" for application to stop the formalities of Konka Group headquarter plant and

handle it after appropriate discussion between Overseas Chinese Town Group and the Company. According to the Comment Letter, the Shenzhen Nanshan Reconstruction Office of Urban Village (old village) released the Comment Letter of Konka Group to be the Subject of Implementation of Urban Updating Projects of Konka Headquarter Plant in August, 2013 to coordinate the rights and interests of all Parties and make suggestions to the Comment Letter.
Hereafter, no agreement of Konka Group to be the only subject of implementation of the urban updating projects has been reached after several negotiations.
In order to resolve the differences and promote the implementation of urban updating projects of Konka headquarter plant, according to the 53rd meeting of the 7th Board of Directors, the Company decided to submit the dispute of Konka Group to be the only subject of implementation of the urban updating projects to Shenzhen Court of International Arbitration. In order to promote the implementation of urban updating projects of Konka headquarter plant, according to the resolution of 54th meeting of the 7th Board of Directors, Konka Group shall pay the land funds for the projects in advance before the arbitration result. If the arbitral agency identifies the Company as the only development subject, the Company should continue implementing the project. If the arbitral agent asserts that the Company could not be the only development subject, the development plan should be discussed and agreed by the Company and OCT Group to handle the transfer formalities of the land and share the paid prices on land.

On 10 Mar., 2014, the Company has applied to Shenzhen Court of International Arbitration for arbitration of the subject of implementation of urban updating project of Konka headquarter plant to regard Overseas Chinese Town Group as the respondent and the Company as the only subject of implementation to develop the urban updating project of Shenzhen Nanshan Konka Group headquarter plant.
During 16 April, 2014 to 17 June, 2014, four court sessions were held by Shenzhen Court of International Arbitration. Overseas Chinese Group and the Company submitted the request for arbitration, evidence materials, written pleas and defending opinions.
On 31 July, 2014, the Company received the consent award from Shenzhen Court of International Arbitration (No. HNGZC [2014] D97) with decisions:
(1) Rejecting the request of Konka Group to be the only subject of implementation of Urban Updating Projects of Shenzhen Nanshan Konka Group Headquarter Plant.
(2) Rejecting the request about counsel fees from Konka Group.
(3) Rejecting the counterclaim about counsel fees from Overseas Chinese Town Group.
(4) The arbitration fee of this case is 490,926.54 Yuan, totally assuming by Overseas Chinese Town Group. The repaid 29,050 Yuan by Overseas Chinese Town Group could be included in the arbitration fees paid by Overseas Chinese Town Group.
(5) The case with a counterclaim arbitration fee of RMB 29050, shall be borne fully by the OCT Group. OCT Group prepaid RMB 29050 as the arbitration fee that OCT Group shall bear.
In order to promote urban updating projects of Konka headquarter plant, fully maintain the interest of the Company and the vast majority of investors, in line with the reviewing and approval of the 67th Meeting of the 7th Session of the Board of Directors and 2014 Second Special Meeting of Shareholders, the Company and OCT Group jointly set up a joint venture to develop the projects of Konka headquarter plant, the equity proportion of joint venture was: OCT Group 30%, the Company 70%. As of the report issue date, the Company had register and set up, and is rushing to

deal with relevant formalities

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

1. Accounts receivable

(1) Accounts receivable

Category	Closing balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and individually withdrawn bad debt provision	—	—	—	—	—
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	1,754,027,708.37	100.00	214,731,732.08	12.24	1,539,295,976.29
Accounts receivable with insignificant single amount and individually withdrawn bad debt provision	—	—	—	—	—
Total	**1,754,027,708.37**	**100.00**	**214,731,732.08**	**12.24**	**1,539,295,976.29**

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and individually withdrawn bad debt provision	—	—	—	—	—
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	1,756,621,157.28	100.00	213,570,680.61	12.16	1,543,050,476.67
Accounts receivable with insignificant single amount and individually withdrawn	—	—	—	—	—

Category	Opening balance				
	Book balance		Provision for bad debts		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
bad debt provision					
Total	**1,756,621,157.28**	**100.00**	**213,570,680.61**	**12.16**	**1,543,050,476.67**

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

Aging	Closing balance		
	Account receivable	Provision for bad debts	Proportion (%)
Within 1 year	1,196,564,303.97	23,932,665.90	2.00
Subtotal of within 1 year	30,174,180.40	1,508,709.02	5.00
1-2 years	20,625,759.93	4,083,744.48	20.00
2-3 years	5,494,947.76	2,747,473.88	50.00
3-4 years	2,288,526.10	1,144,263.05	50.00
4-5 years	181,314,875.75	181,314,875.75	100.00
Over 5 years	**1,436,462,593.91**	**214,731,732.08**	

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

Name of the group	Balance at year- end		
	Account receivable	Bad debt provision	Withdrawal reason
Related party group	317,565,114.46	—	—
Total	**317,565,114.46**	—	—

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB 1,161,051.47 the amount of reversed or recovered bad debt provision in the report period RMB Yuan

(3)The top five other account receivable classified by debtor at period end

The total amount of the top five account receivable classified by debtor at period end was RMB 631,666,816.05, 36.01% of the balance of closing account receivable, the relevant balance of bad debt provision was RMB 4,651,689.34.

2. Other account receivable

(1) Other account receivable classified by category

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with significant single amount and individually withdrawn bad debt provision	31,507,969.28	3.07	18,797,943.19	59.66	12,710,026.09
Other accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	993,962,954.77	96.74	18,473,350.81	3.02	975,489,603.96
Other accounts receivable with insignificant single amount and individually withdrawn bad debt provision	2,000,000.00	0.19	2,000,000.00	100.00	—
Total	**1,027,470,924.05**	**100.00**	**39,271,294.00**	**3.82**	**988,199,630.05**

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with significant single amount and individually withdrawn bad debt provision	13,363,045.11	1.91	13,363,045.11	100.00	—
Other accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	686,601,143.86	98.09	18,303,959.09	2.67	668,297,184.77
Other accounts receivable with insignificant single amount and individually withdrawn bad debt provision	—	—	—	—	—
Total	**699,964,188.97**	**100.00**	**31,667,004.20**	**4.52**	**668,297,184.77**

① Other accounts receivable with insignificant single amount and individually withdrawn bad debt provision

Other accounts receivable(entity)	Closing balance			
	Other accounts receivable	Provision for bad debts	Withdrawal proportion (%)	Reason
Chongqng Konka Auto Electronic Company	13,392,016.77	13,392,016.77	100.00%	Stop produce, plan to sell
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	5,405,926.42	29.84%	Assessment of impairment
Total	**31,507,969.28**	**18,797,943.19**	—	—

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

Aging	Closing balance		
	Other account receivable	Provision for bad debts	Proportion (%)
Within 1 year	524,371,657.17	724,566.14	0.14
1-2 years	69,581,829.20	3,479,091.46	5.00
2-3 years	3,306,565.65	661,313.13	20.00
3-4 years	394,772.26	197,386.13	50.00
4-5 years	452,575.32	226,287.66	50.00
Over 5 years	13,184,706.29	13,184,706.29	100.00
Total	**611,292,105.89**	**18,473,350.81**	

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

Name of the group	Balance at year- end		
	Account receivable	Bad debt provision	Withdrawal reason
Related party group	382,670,848.88	—	—
Total	382,670,848.88	—	—

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB 7,604,289.80 the amount of reversed or recovered bad debt provision in the report period RMB Yuan

(3)The top 5 other account receivable classified by debtor at period end

Entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Shenzhen Financial Committee	Guarantee	488,063,979.00	Within 1 year	47.50	—
Shenzhen Konka Electrical Appliances Co., Ltd.	Current amount	112,285,519.15	Within 1 year	10.93	—
Boluo Konka Precision Technology Co., Ltd.	Current amount	80,952,524.52	Within 1 year	7.88	—
Shenzhen Konka Information Network Co., Ltd.	Current amount	78,893,470.84	Within 1 year	7.68	—
National Energy Saving Benefaction to People	Energy saving incentives	62,894,650.00	1-2years	6.12	3,144,732.50
Total	—	**823,090,143.51**	—	**80.11**	**22,066,695.79**

3. Long term equity investment

(1) Category of equity investment

Item	Closing balance			Closing balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment to subsidiary	1,505,310,835.91	94,394,984.69	1,410,915,851.22	1,557,259,154.56	94,394,984.69	1,462,864,169.87
Investment to joint venture and associate enterprises	197,758,604.87	—	197,758,604.87	201,482,356.95	—	201,482,356.95
Total	**1,703,069,440.78**	**94,394,984.69**	**1,608,674,456.09**	**1,758,741,511.51**	**94,394,984.69**	**1,664,346,526.82**

(2) Investment to subsidiaries of the Company

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Mudanjiang	36,000,000.00	—	—	36,000,000.00	—	36,000,000.00

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Konka						
Shaanxi Konka	44,869,809.80	—	44,869,809.80	—	—	—
Anhui Konka	122,780,937.98	—	—	122,780,937.98	—	—
Dongguan Konka	274,783,988.91	—	—	274,783,988.91	—	—
Hong Kong Konka	781,828.61	—	—	781,828.61	—	—
Chongqing Konka	—	—	—	0.00	—	—
Anhui Household Appliances	5,278,509.85	—	5,278,509.85	0.00	—	—
Konka Europe	261,482.50	—	—	261,482.50	—	—
Nanhai Konka	500,000.00	—	—	500,000.00	—	—
Kunshan Konka	350,000,000.00	—	—	350,000,000.00	—	—
Plastic Products	4,655,000.00	—	—	4,655,000.00	—	—
Konka Household Appliances	10,732,485.69	—	—	10,732,485.69	—	10,732,484.69
Telecommunication Technology	90,000,000.00	—	—	90,000,000.00	—	
Konka America	8,062,500.00	—	—	8,062,500.00	—	8,062,500.00
Information Network	22,500,000.00	—	—	22,500,000.00	—	22,500,000.00
Shushida	31,500,000.00	—	—	31,500,000.00	—	—
Video & Communication Systems Engineering	9,000,000.00	1,723,300.00	10,723,300.00	—	—	—
Chongqing Electronic	17,100,000.00	—	—	17,100,000.00	—	17,100,000.00
Fittings Technology	48,750,000.00	—	—	48,750,000.00	—	—

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Kunshan Kangsheng	350,000,000.00	—	—	350,000,000.00	—	—
Anhui Tongchuang	69,702,612.22	—	—	69,702,612.22	—	—
Konka Optoelectronic	10,000,000.00	—	—	10,000,000.00	—	—
Wankaida	10,000,000.00	—	—	10,000,000.00	—	—
Beijing Konka	30,000,000.00	—	—	30,000,000.00	—	—
Shushida Logistics	10,000,000.00	—	—	10,000,000.00	—	—
Konka E-display	—	7,200,000.00	—	7,200,000.00	—	—
Total	**1,557,259,155.56**	**8,923,300.00**	**60,871,619.65**	**1,505,310,835.91**	—	**94,394,984.69**

(3) Investment to joint venture and associated enterprise

Entity	Closing balance	Increase/ decrease				
		additional investment	negative investment	Profits or losses recognized under equity method.	Adjustment of other comprehensive income	Other equity changes
I. Joint venture	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
II. Associated enterprise	—	—	—	—	—	—
Shanghai Konka Green Science and Technology Co., Ltd.	201,482,356.95	—	—	-3,679,122.32	—	-44,629.76
Subtotal	**201,482,356.95**	—	—	**-3,679,122.32**	—	**-44,629.76**
Total	**201,482,356.95**	—	—	**-3,679,122.32**	—	**-44,629.76**

(Continued)

Entity	Increase/ decrease			Closing balance	Closing balance of bad debt provision
	Equities or profits declare to issue	Bad debt provision	Other		
I. Joint venture	—	—	—	—	—
Subtotal	—	—	—	—	—
II. Associated enterprise	—	—	—	—	—
Shanghai Konka Green Science and Technology Co., Ltd.	—	—	—	197,758,604.87	—
Subtotal	—	—	—	**197,758,604.87**	—
Total	—	—	—	**197,758,604.87**	—

4. Revenue and Cost of Sales

(1) Revenue, Cost of Sales

Item	Reporting period		Same period of last year	
	Revenues	Operating costs	Revenues	Operating costs
Main operations	12,994,682,247.47	11,233,692,241.60	15,819,472,336.00	13,338,793,198.72
Other operations	5,257,638,085.71	5,208,621,358.62	5,269,237,253.78	5,229,005,273.30
Total	**18,252,320,333.18**	**16,442,313,600.22**	**21,088,709,589.78**	**18,567,798,472.02**

(2) Main business (Classified by industry)

Industry	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Electronic industry	12,994,682,247.47	11,233,692,241.60	15,819,472,336.00	13,338,793,198.72
Total	**12,994,682,247.47**	**11,233,692,241.60**	**15,819,472,336.00**	**13,338,793,198.72**

(3) Main business (Classified by product)

Product	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Color TV business	12,393,357,463.54	10,693,341,521.15	15,073,485,116.68	12,640,961,692.41

Product	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Mobile phone business	474,425.20	327,879.94	—	—
Consumer appliances business	501,891,601.26	458,915,261.80	515,704,902.62	470,243,720.69
Others	98,958,757.47	81,107,578.71	230,282,316.70	227,587,785.62
Total	**12,994,682,247.47**	**11,233,692,241.60**	**15,819,472,336.00**	**13,338,793,198.72**

(4) Main business (Classified by area)

Area	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Domestic sales	11,011,476,670.78	9,284,752,004.46	13,869,592,951.66	11,431,518,777.48
Overseas sales	1,983,205,576.69	1,948,940,237.14	1,949,879,384.34	1,907,274,421.24
Total	**12,994,682,247.47**	**11,233,692,241.60**	**15,819,472,336.00**	**13,338,793,198.72**

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

Period	Total amount of Top 5 customers operating revenue	Proportion of the same period of the operating revenue (%)
2014	3,035,222,295.61	16.63
2013	3,020,221,085.16	14.32

5. Investment income

Item	2014	2013
Long-equity investment income measured by cost method	—	—
Long-equity investment income measured by equity method	-3,679,122.32	-1,317,643.05
Investment income occurred from disposing the long-term equity investment	248,192,713.43	63,398,100.00
Investment income of the available-for-sale financial assets during the holding period	48,104.52	21,115.80
Income occurred from the entrust management and entrust loans	46,294,257.11	32,914,101.74
Total	**290,855,952.74**	**101,015,674.49**

XVI. Supplementary information

1. List of non-current gains and losses of 2014

Item	Amount	Notes
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	587,454,101.18	
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's unified standards	75,401,093.20	
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	12,260,439.18	
Asset impairment provisions due to acts of God such as natural disasters	—	
Gain/loss on 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	—	
Gain/loss on contingent events irrelevant to the Company's normal business	—	
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	—	
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately	—	
Gain/loss on entrustment loans	—	
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	—	

Item	Amount	Notes
laws and regulations		
Custody fee income when entrusted with operation	—	
Non-operating income and expense other than the above	16,207,940.59	
Other gain and loss items that meet the definition of an extraordinary gain/loss	-151,895.48	
Subtotal	**691,171,678.67**	
Less: Income tax effects	158,734,972.90	
Minority interests effects (after tax)	4,331,796.46	
Total	**528,104,909.31**	

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	Involved amount	Reason
Software drawback	155,396,179.33	Closely related to the normal operating business of the Company which met with the regulations of the state policies as well as constantly enjoyed the governmental subsidies according to certain standard quotas or quantities
Total	**155,396,179.33**	

2. Net assets yield and earnings per share

Profits of the period	ROEWA (%)	EPS	
		Basic EPS	Diluted EPS
Net profits attributed to the common shareholders of the Company	1.28%	0.0437	0.0437
Net profits attributed to the common shareholders after deducting the non-current gains and losses	-11.57%	-0.3949	-0.3949

Notes: (1) The corresponding ROEWA of the net profits attributed the common shareholders of the Company=52,623,527.86/(4,087,909,132.34+52,623,527.86/2-12,039,727.04*6/12+688,609.70*6/12-524,295.54*6/12)

The corresponding ROEWA of the net profits attributed the common shareholders after deducting the non-current gains and losses = (52,623,527.86-528,104,909.31)/(4,087,909,132.34+52,623,527.86/2-12,039,727.04*6/12+688,609.70*6/12-524,295.54*6/12)

3. Relevant supplementary materials of the changes of accounting policies

The Company changed the relevant accounting policies and executed retroactive restatement of the compared financial statement according to the 8 accounting standards of No. 2 of ASBE-Long-term Equity Investment (revised in 2014) that issued by Ministry of Finance and the consolidation balance sheet on 1 Jan. 2013 and 31 Dec. 2013 after the restatement were as follows:

Item	1 Jan. 2013	31 Dec. 2013	31 Dec. 2014
Current Assets:			
Monetary funds	1,728,946,511.11	1,843,743,089.94	1,909,455,223.89
Settlement reserves			
Intra-group lendings			
Financial assets measured at fair value of which changes are recorded in current profits and losses			
Derivative financial assets			
Notes receivable	5,033,056,004.97	4,150,779,374.32	3,819,417,076.37
Accounts receivable	1,975,605,771.07	2,460,996,984.92	2,259,293,207.16
Accounts paid in advance	183,008,022.27	164,272,929.59	315,150,044.57
Premiums receivable			
Reinsurance premiums receivable			
Receivable reinsurance contract reserves			
Interest receivable	7,171,998.73	2,898,419.90	1,885,727.36
Dividend receivable			
Other accounts receivable	316,590,715.96	298,749,414.95	787,039,370.68
Financial assets purchased under agreements to resell			
Inventories	4,059,339,049.25	3,582,669,024.26	3,904,436,250.33

Assets held for sale			
Non-current assets due within 1 year			
Other current assets			361,700,708.77
Total current assets	13,303,718,073.36	12,504,109,237.88	13,358,377,609.13
Non-current assets:			
Loans by mandate and advances granted			
Available-for-sale financial assets	12,140,177.20	11,894,999.30	245,033,609.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	461,470,533.19	436,017,471.50	367,111,208.22
Investing real estate	235,680,171.89	237,986,524.12	233,349,452.80
Fixed assets	1,887,836,271.02	1,908,503,979.80	1,783,695,548.92
Construction in progress	50,682,893.85	49,924,027.97	159,604,884.09
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets	290,280,443.01	359,585,571.12	347,626,130.58
R&D expense			
Goodwill	3,943,671.53	3,943,671.54	3,597,657.15
Long-term deferred expenses	6,261,286.45	13,405,084.94	25,792,805.06
Deferred income tax assets	310,903,676.56	218,728,739.41	259,516,396.26
Other non-current assets			
Total of non-current assets	3,259,199,124.70	3,239,990,069.70	3,425,327,692.08
Total assets	16,562,917,198.06	15,744,099,307.58	16,783,705,301.21
Current liabilities:			
Short-term borrowings	5,456,351,486.48	5,239,069,764.48	5,145,712,436.91

Borrowings from Central Bank			
Customer bank deposits and due to banks and other financial institutions			
Intra-group borrowings			
Financial liabilities measured at fair value of which changes are recorded in current profits and losses			
Derivative financial liabilities			
Notes payable	846,746,137.62	565,137,790.84	911,355,028.47
Accounts payable	2,735,993,787.52	3,341,804,144.12	3,144,408,433.93
Accounts received in advance	441,836,467.09	482,716,035.68	302,904,453.86
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	305,003,416.73	332,090,987.77	299,272,715.05
Tax payable	-231,087,836.60	-94,670,496.91	112,557,005.85
Interest payable	27,651,352.67	34,945,870.48	22,872,418.43
Dividend payable			
Other accounts payable	1,364,756,260.46	1,391,396,130.97	1,376,803,381.03
Reinsurance premiums payable			
Insurance contract reserves			
Payables for acting trading of securities			
Payables for acting underwriting of securities			
Liabilities held for sale			
Non-current liabilities due within 1 year	810,000,000.00	1,755,444.00	1,525,465.53
Other current liabilities			

Total current liabilities	11,757,251,071.97	11,294,245,671.43	11,317,411,339.06
Non-current liabilities:			
Long-term borrowings	400,000,000.00	5,000,000.00	957,541,210.52
Bonds payable			
Of which: preferred shares			
Perpetual bonds			
Long-term payables	30,000,000.00	31,366,530.13	30,029,990.10
Long-term payroll payables			28,554,734.16
Specific payables			
Estimated liabilities	2,511,814.54	911,085.41	
Deferred income	125,743,462.22	131,658,369.11	147,315,999.02
Deferred income tax liabilities	563,067.21		1,049,498.77
Other non-current liabilities			
Total non-current liabilities	558,818,343.97	168,935,984.65	1,164,491,432.57
Total liabilities	12,316,069,415.94	11,463,181,656.08	12,481,902,771.63
Owners' equity:			
Share capital	1,203,972,704.00	1,203,972,704.00	1,203,972,704.00
Other equity instruments			
Of which: preferred shares			
Perpetual bonds			
Capital reserves	1,310,986,974.06	1,314,409,687.82	1,293,749,588.55
Less: Treasury stock			
Other comprehensive income	13,578,166.62	16,179,316.17	16,171,477.91
Specific reserves			
Surplus reserves	827,291,207.52	847,908,466.28	847,908,466.28
Provisions for general risks			
Retained profits	692,275,447.14	705,438,958.08	746,022,758.89

Total equity attributable to owners of the Company	4,048,104,499.34	4,087,909,132.35	4,107,824,995.63
Minority interests	198,743,282.78	193,008,519.16	193,977,533.95
Total owners' equity	4,246,847,782.12	4,280,917,651.51	4,301,802,529.58
Total liabilities and owners' equity	16,562,917,198.06	15,744,099,307.59	16,783,705,301.21

Section XII. Documents Available for Reference

I. Financial statements with the signatures and seals of the company principal, the principal of accounting work and the principal of the accounting organ (financial manager);

II. Originals of Auditors' Report with the seals of the CPAs firm and the signatures & seals of the certified public accountants;

III. Texts of all the Company's documents ever publicly disclosed in newspapers designated by CSRC in the reporting period, and the originals of the public notices.

IV. Other relevant materials.

The Board of Directors
Konka Group Co., Ltd.
3 Apr. 2015