
KONKA GROUP CO., LTD.
2015 SEMI-ANNUAL REPORT

2015-56

August 2015

Section I. Important Reminders, Contents & Definitions

The Board of Directors, the Supervisory Committee as well as all 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 meeting for reviewing this report.

The Company’s profit distribution preplan upon the review and approval of the Fourth Meeting of the Eighth Board of Directors: Based on the total 1,203,972,704 shares of the Company as at 30 June 2015, 10 shares will be increased, with the capital reserves, to all shareholders for every 10 shares they hold. No cash dividends or bonus shares will be granted.

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

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

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Definitions

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	Shenzhen Konka E-display Co., Ltd.

	to	
Xiamen Dalong	Refers to	Xiamen Dalong Trading Co., Ltd.
Youshi Kangrong	Refers to	Youshi Kangrong Culture Communication Co., Ltd.
Anhui Jiasen	Refers to	Anhui Jiasen Precision Technology Co., Ltd.
Kangqiao Jiacheng	Refers to	Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.
Konka SmartTech	Refers to	Konka SmartTech Limited
Kaikai Shijie	Refers to	Anhui Kaikai Shijie E-commerce Co., Ltd.
E2info	Refers to	Shenzhen E2info Network Technology 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

Section II. Company Profile

I. Basic information of the Company

Stock abbreviation	SKJA, SKJB	Stock code	000016, 200016
Stock abbreviation after change (if any)	None		
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 (if any)	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	Liu Fengxi		

II. Contact information

	Company Secretary
Name	Wu Yongjun
Contact address	Board Secretariat, 24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China
Tel.	0755-26608866
Fax	0755-26600082
E-mail	szkonka@konka.com

III. Other information

1. Ways to contact the Company

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

☒ Applicable ☐ Inapplicable

Registered address of the Company	15-24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China
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Zip code	518057
Office address of the Company	15-24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China
Zip code	518057
Internet website of the Company	www.konka.com
Email address of the Company	szkonka@konka.com
Date of the disclosure of the relevant announcement on the designated website (if any)	14 April 2015
Website link for the relevant announcement disclosed on the designated website (if any)	http://www.cninfo.com.cn/finalpage/2015-04-14/1200825769.PDF

2. About information disclosure and where this report is placed

Did any change occur to information disclosure media and where this report is placed during the reporting period?

☒ Applicable ☐ Inapplicable

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	Board Secretariat, 24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China
Date of the disclosure of the relevant announcement on the designated website (if any)	14 April 2015
Website link for the relevant announcement disclosed on the designated website (if any)	http://www.cninfo.com.cn/finalpage/2015-04-14/1200825769.PDF

3. Changes in the registered information

Did any change occur to the registered information during the reporting period?

☒ Applicable ☐ Inapplicable

	Registration date	Registration place	Business license No.	Registration code of taxation	Organizational code
At the beginning of the reporting period	1 October 2011	Overseas Chinese Town, Nanshan District, Shenzhen, Guangdong	440301501121863	440301618815578	618815578

		Province, China			
At the end of the reporting period	1 July 2015	15-24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China	440301501121863	440301618815578	618815578
Date of the disclosure of the relevant announcement on the designated website (if any)	14 April 2015				
Website link for the relevant announcement disclosed on the designated website (if any)	http://www.cninfo.com.cn/finalpage/2015-04-14/1200825769.PDF				

Section III. Highlights of Accounting Data & Financial Indicators

I. Major accounting data and financial indicators

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

☐ Yes ☒ No

	Reporting period	Same period of last year	YoY +/- (%)
Operating revenues (RMB Yuan)	8,944,558,920.96	8,390,067,695.48	6.61%
Net profit attributable to shareholders of the Company (RMB Yuan)	-296,953,507.39	44,394,585.84	-768.90%
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-333,938,231.98	-172,899,104.31	-93.14%
Net cash flows from operating activities (RMB Yuan)	70,042,909.63	1,207,928,081.12	-94.20%
Basic EPS (RMB Yuan/share)	-0.25	0.04	-725.00%
Diluted EPS (RMB Yuan/share)	-0.25	0.04	-725.00%
Weighted average ROE (%)	-7.52%	1.11%	-8.63%
	As at the end of the reporting period	As at the end of last year	+/- (%)
Total assets (RMB Yuan)	16,132,799,097.22	16,779,359,276.65	-3.85%
Net assets attributable to shareholders of the Company (RMB Yuan)	3,797,724,449.84	4,103,478,971.07	-7.45%

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 difference.

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

☐ Applicable ☒ Inapplicable

No difference.

III. Items and amounts of extraordinary gains and losses

√Applicable □ Inapplicable

Unit: RMB Yuan

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-1, 192, 849. 90	
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	27, 769, 533. 09	
Gain/loss on entrusting others with investments or asset management	3, 442, 481. 04	
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	2, 153, 880. 21	
Gain/loss on entrustment loans	1, 669, 999. 98	
Non-operating income and expense other than the above	5, 493, 353. 06	
Other gain and loss items that meet the definition of an extraordinary gain/loss	4, 936, 419. 75	
Less: Income tax effects	6, 314, 708. 35	
Minority interests effects (after tax)	973, 384. 29	
Total	36, 984, 724. 59	--

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	34, 130, 823. 15	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
Total	34, 130, 823. 15	

Section IV. Report of the Board of Directors

I. Overview

The Company specializes in production and operation of color TVs, digital mobile phones, consumer appliances, set-top boxes, LED products as well as the supporting products (such as molds, injection, packages, etc), and belongs to the industries of electronics manufacture and telecommunication equipment manufacture.

In the reporting period, we carried on with our Internet strategy and our product mix improved with a larger proportion of smart TVs in our total sales.

(I) In the reporting period, the proportions of smart TVs and large-screen TVs in our total sales rose steadily, and the activated smart TV rate also increased considerably.

In the reporting period, we launched a series of smart TVs. Joining hands with Tencent, Youku and Aliyun.com, we launched three major series—T60 Tencent Super TV, 2600 Youku TV and Aliyun TV for online sales. In addition, we also introduced to the market quality series including X80U Moon Goddess 4K Curved-Surface TV and 8900 TV. In the meantime, we started to cooperate with GITV and Tencent Video, marking the increase of our Internet TV partners to a number of three.

(II) In terms of our consumer appliance business, we adjusted our sales structure by promoting the sales of three-door, multi-door and side-by-side combination refrigerators and achieved a fast development with e-commerce channels by making the development of e-commerce a priority. As a result, both the sales volume and profitability of our consumer appliance business improved.

(III) As for export, we successfully attracted new customers in Latin America, the Asia-Pacific region, etc., which boosted our overseas sales.

However, due to the fierce price competition of our main products, the profitability in our main business saw a drop in the reporting period. In addition, our gains and losses on disposal of non-current assets were RMB 259 million in the first half of 2014, which were mainly the investment gain on transferring Shenzhen Konka Video & Communication Systems Engineering Co., Ltd., while the first half of 2015 did not see such large-amount non-recurring gains. All these caused a large drop in the net profits attributable to the shareholders of the Company for the first half of 2015.

For the reporting period, the Company achieved operating revenues of RMB 8.945 billion, up 6.61% over the same period of last year; net profits attributable to the shareholders of the Company of RMB -296.95 million, down 768.90% on the year-on-year basis; and EPS of RMB -0.25/share.

II. Main business analysis

YoY movements in major financial data:

Unit: RMB Yuan

	Reporting period	Same period of last year	YoY +/-%	Main reasons for movement
Operating revenues	8,944,558,920.96	8,390,067,695.48	6.61%	
Operating costs	7,791,215,800.57	7,003,790,313.05	11.24%	
Selling expenses	1,124,688,950.35	1,155,868,360.85	-2.70%	
Administrative expenses	292,238,903.71	304,442,442.38	-4.01%	
Financial expenses	99,066,911.17	101,860,777.24	-2.74%	
Income tax expenses	-51,101,619.20	35,514,884.35	-243.89%	Recognized in the period deferred tax increases result in reduced income tax expenses
R&D inputs	104,617,216.07	104,169,480.26	0.43%	
Net cash flows from operating activities	70,042,909.63	1,207,928,081.12	-94.20%	Cash paid for purchase of goods and services with the growth
Net cash flows from investing activities	326,173,576.74	-779,118,652.95	141.86%	The period to recover payment of premium of 488 million Yuan last year
Net cash flows from financing activities	37,779,744.97	-579,139,400.35	106.52%	Borrow the cash received for the current period increased
Net increase in cash and cash equivalents	396,244,280.00	-139,437,747.49	384.17%	

Major changes to the profit structure or sources of the Company during the reporting period:

☒ Applicable ☐ Inapplicable

Due to the fierce price competition of our main products, the profitability in our main business saw a drop in the reporting period. In addition, our gains and losses on disposal of non-current assets were RMB 259 million in the first half of 2014, which were mainly the investment gain on transferring Shenzhen Konka Video & Communication Systems Engineering Co., Ltd., while the first half of 2015 did not see such large-amount non-recurring gains. All these caused a large drop in the net profits attributable to the shareholders of the Company for the first half of 2015.

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

☐ Applicable ☒ Inapplicable

The Company did not mention any future planning for the reporting period in its disclosed documents such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.

Review the progress of any previously disclosed business plan in the reporting period:

During the reporting period, adhering to our annual operational plan, we overcame difficulties and steadily pushed forward all our operational and management tasks. In the reporting period, we carried on with our Internet strategy and our product mix improved with a larger proportion of smart TVs in our total sales. The sales incomes from our consumer appliance business and overseas business both increased. However, due to the fierce price competition of our main products, the sales income from our color TV business saw a drop, which brought down our main business income and profits in the reporting period. For more details, see the “Overview” section above.

III. Breakdown of main business

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit rate (%)	Increase/decrease of operating revenue over the same period of last year (%)	Increase/decrease of operating cost over the same period of last year (%)	Increase/decrease of gross profit rate over the same period of last year (%)
Classified by industry:						
Electronic	8,246,299,638.18	7,161,672,404.62	13.15%	-0.44%	3.07%	-2.96%
Total	8,246,299,638.18	7,161,672,404.62	13.15%	-0.44%	3.07%	-2.96%
Classified by product:						
Color TVs	5,839,273,101.30	4,998,980,729.53	14.39%	-5.35%	-1.57%	-3.29%
Cell phones	405,882,081.01	394,112,904.23	2.90%	-47.47%	-44.60%	-5.02%
Customer appliances	828,393,555.30	650,002,713.45	21.53%	4.76%	2.36%	1.84%
Other	1,172,750,900.57	1,118,576,057.41	4.62%	113.25%	113.76%	-0.23%
Total	8,246,299,638.18	7,161,672,404.62	13.15%	-0.44%	3.07%	-2.96%
Classified by region:						
Domestic	4,807,213,043.19	3,897,064,692.75	18.93%	-18.77%	-18.29%	-0.48%
Overseas	3,439,086,594.99	3,264,607,711.87	5.07%	45.44%	49.84%	-2.79%
Total	8,246,299,638.18	7,161,672,404.62	13.15%	-0.44%	3.07%	-2.96%

IV. 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.

V. Investment analysis

1. Investments in equities of external parties

(1) Investments in external parties

√ Applicable □ Inapplicable

Investments in external parties		
Investment amount in the reporting period (RMB Yuan)	Investment amount in the same period of last year (RMB Yuan)	+/-%
66,835,410.00	7,723,300.00	765.37%
Particulars about investees		
Name of investee	Main business	Proportion of the Company's investment in the investee's total equity interests (%)
Hunan Vary Tech Co., Ltd.	Solid waste and other waste recycling, etc.	10.40%
Shenzhen Nobel Education Investment and Development Co., Ltd.	Education project investment, etc.	14.76%
Zhuhai Jinsu Plastic Co., Ltd.	Modified plastics, etc.	20.70%
Shenzhen Qianhai Qingsong Venture Capital Fund Co., Ltd.	Equity investment	6.00%

(2) Equity-holdings in financial enterprises

□ Applicable √ Inapplicable

No such cases in the reporting period.

(3) Securities investments

√ Applicable □ Inapplicable

Variety of securiti es	Code of securiti es	Name of securiti es	Initial investm ent cost (RMB Yuan)	Numbe r of shares held at period- begin	Shareh olding percent age at period- begin	Numbe r of shares held at period- end	Shareh olding percent age at period- end	Closing book value (RMB Yuan)	Gain/lo ss for reportin g period (RMB Yuan)	Accoun ting title	Source of stock
Stock	002772	ZXRY	6,500. 00	0	0.00%	500	0.00%	11,325 .00	4,825. 00	Availab le-for-s ale financia l assets	Applic ation for the new shares
Stock	300485	SSYY	19,230 .00	0	0.00%	500	0.00%	33,500 .00	14,275 .00	Availab le-for-s ale financia l assets	Applic ation for the new shares

Stock	300481	PYHC	4,565.00	0	0.00%	500	0.00%	6,575.00	2,010.00	Available-for-sale financial assets	Application for the new shares
Stock	002770	KDRY	3,425.00	0	0.00%	500	0.00%	4,930.00	1,505.00	Available-for-sale financial assets	Application for the new shares
Stock	002776	BBL	11,645.00	0	0.00%	500	0.00%	20,290.00	8,645.00	Available-for-sale financial assets	Application for the new shares
Stock	002766	SLGF	3,765.00	0	0.00%	500	0.00%	17,005.00	13,240.00	Available-for-sale financial assets	Application for the new shares
Other securities investment held at the period-end			0.00	0	--	0	--	0.00	0.00	--	--
Total			49,130.00	0	--	3,000	--	93,625.00	44,500.00	--	--
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

At the period-end, the Company held the common shares of Vanke A with the initial investment cost of RMB 2,311,748.07 and the fair value at the period-begin of RMB 1,630,609.00, the fair value at the period-end should be calculated and recognized of RMB 1,703,341.20.

2. Wealth management entrustment, derivative investments and entrustment loans

(1) Wealth management entrustment

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand Yuan

Trustee name	Associate relations	Related party transaction	Product type	Financial amount	Start date	Termination date	Pay determination	The actual principal	Provision for impairment	Expected benefits	Amount of Profit/loss
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		ns						amount	nt amount (if any)		s of the reporting period
Bank Mudanjiang branch	No	No	Short term finan ce	100	30, June 2015	25, August 2015	Guarant eed prin cipal and int erest	100	0	0.56	0.56
Total				100	--	--	--	100	0	0.56	0.56
Financial sources				Own funds							
Fails to recover the cumulative amount of principal and earnings				0							
Involved (if applicable)				Inapplicable							
Entrust the approval disclosure date for the announcement of the Board (if any)				24, May 2014							
Entrust approval announcement date of disclosure of shareholders (if any)				Inapplicable							

(2) Derivative investments

□ Applicable √ Inapplicable

No such cases in the reporting period.

(3) Entrustment loans

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand Yuan

Borrower	Related party or not	Amount of loan	Interest rate	Guarantor or pawn	Usage of loan by borrower
Chuzhou Tongchuang Construction Investment Co., Ltd.	No	5,000		Chuzhou Economic Technology Development Corporation	Purchase of the construction materials
Total	--	5,000	--	--	--
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
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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 Wankaida Science and Technology Co., Ltd.	Subsidiary	Software development	Development and maintenance of software technology	RMB10000000	325,286,855.14	322,097,576.79	36,178,080.00	18,365,880.14	21,771,380.93
Dongguan City Xu Tongda Mould Plastic Co., Ltd.	Subsidiary	Manufacture	Production and sale of mould and plastic products	RMB5000000	82,696,941.43	29,434,604.59	84,103,163.49	8,529,549.21	7,240,416.80
Shenzhen Konka Information Network Co., Ltd.	Subsidiary	Manufacture	Production and sale of digital network products	RMB30000000	147,603,003.22	652,045.90	99,506,009.01	2,984,000.32	4,191,814.58
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Subsidiary	Manufacture	Production and sale of refrigerators, washing machines and other household appliances	RMB18000000	1,022,368,569.91	-12,788,506.35	768,107,346.13	1,793,529.37	1,513,697.38
Anhui Konka Electronic	Subsidiary	Manufacture	Production and sale of multimedia products	RMB14000000	1,298,815,352.05	269,668,296.82	2,428,514,346.89	-17,702,359.71	-11,901,124.74

Co., Ltd.									
Dongguan Konka Mould Plastic Co., Ltd.	Subsidiary	Manufacture	Production and sale of mould and plastic products	RMB10000000	293,766,111.61	114,280,816.46	82,998,859.63	-9,735,442.37	-8,221,585.52
EnRay Tek Optoelectronics (Shanghai) Co., Ltd.	Joint stock company	Manufacture	Production and sale of LED	USD50000000	875,265,958.44	640,134,316.09	410,435,854.56	-52618094.68	20,881,774.05
Shenzhen Konka Telecommunications Technology Co., Ltd.	Subsidiary	Manufacture	Production and sale of mobile communication products & sale of multimedia products	RMB120000000	317,656,816.35	-204,020,492.13	370,547,236.64	-14,379,933.02	-4,771,454.21
Kunshan Konka Electronic Co., Ltd.	Subsidiary	Manufacture	Production and sale of TFT-LCM and multimedia products	RMB350000000	634,703,195.12	340,956,607.91	789,554,198.22	-22,234,082.10	-19,145,674.95
Dongguan Konka Electronic Co., Ltd.	Subsidiary	Manufacture	Production and sale of multimedia products	RMB266670000	834,505,119.30	550,372,816.91	500,896,789.28	-42,825,749.56	-33,149,905.02
Hong Kong Konka Co., Ltd.	Subsidiary	International trade	Export & import of electromechanical and electronics	HKD500000	2,631,427,077.20	61,802,269.30	1,700,208,001.07	-52,621,630.87	-53,437,493.49

5. Significant projects invested with non-raised funds

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand Yuan

Project name	Total planned 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	200,000	12,517	90,325	45.2%	Phase I	Inapplicable	Inapplicable

Shuiyue Zhouzhuang Project					dwelling houses completed, Phase II dwelling houses under construction An income of RMB 40.5679 million for the reporting period, representing a deficit of RMB 14.3834 million		
Urban renewal projects of the headquarters factory of Konka Group	496,000	5,601	5,601	1.1%	Planning and advisory agency hired through bidding. Currently in coordination to dismantle old plants, etc. The reporting period saw no income.	Inapplicable	Inapplicable

VI. Predict the operating results of Jan.-Sept. 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

VII. 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

VIII. Explanation by the Board of Directors about the “non-standard audit report” for last year

☐ Applicable ☒ Inapplicable

IX. Implementation of profit allocation during the reporting period

Profit allocation plan implemented during the reporting period, especially execution and adjustment of the cash dividend plan and the plan for turning capital reserve into share capital:

☒ Applicable ☐ Inapplicable

As reviewed at the 2014 Annual Shareholders' General Meeting, the profit allocation plan for 2014 was decided as follows:

Dividend distribution plan: Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2014, 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.

The profit allocation plan has been carried out. For A-shares, the date of record was 17 Jul. 2015 and the ex-dividend date was 20 Jul. 2015; for B-shares, the last trading date was 17 Jul. 2015, the ex-dividend date was 20 Jul. 2015 and the date of record was 22 Jul. 2015.

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 have 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

X. 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	0.00

included)	
Increased shares for every 10 shares (share)	10
Total shares as the basis for the allocation preplan (share)	1,203,972,704
Total cash dividends (RMB Yuan) (tax included)	0.00
Distributable profit (RMB Yuan)	0.00
Percentage of the cash dividends in the total distributed profit (%)	0.00%
Cash dividend policy:	
Other	
Details about the pre-plan for profit allocation and turning capital reserve into share capital	
Trough the review of the 4 th Session of the 8 th Board of Directors, based on the Company's total share capital of 1,203,972,704 shares as at 30 Jun. 2015, the Company turned the capital reserve of every 10 shares into share capital for 10 shares to the whole shareholders, and the preplan was still needed to be submitted to the Annual General Meeting for review. The plan also required the company to shareholders.	

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

☐ Applicable ☒ Inapplicable

The Company was not involved in any activity of researches, visits and interviews in the reporting period.

Section V. Significant Events

I. Corporate governance

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

Company Law and the relevant CSRC requirements.

II. Lawsuits

Significant litigations and arbitrations

☐ Applicable ☒ Inapplicable

There was no any significant litigation and arbitration of the Company in the reporting period.

Other lawsuits

☒ Applicable ☐ Inapplicable

Please refer to notes to

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
the financial statements in the 12th chapter of commitments and contingencies 2nd summary or description of the matter.							

III. Media's queries

☐ Applicable ☒ Inapplicable

There was no media's common query during the reporting period.

IV. Bankruptcy reorganization

☐ Applicable ☒ Inapplicable

No event involving bankruptcy reorganization occurred to the Company in the reporting period.

V. Asset transactions

1. Purchase of assets

☐ Applicable ☒ Inapplicable

There was no purchase of assets by the Company during the reporting period.

2. Sale of assets

☐ Applicable ☒ Inapplicable

There was no sale of assets by the Company during the reporting period.

3. Business combination

☐ Applicable ☒ Inapplicable

No business combination occurred to the Company during the reporting period.

VI. Implementation of equity incentive and its influence

☐ Applicable ☒ Inapplicable

The Company did not make or carry out any equity incentive plan during the reporting period.

VII. Significant related-party transactions**1. Related-party transactions concerning routine operation**

☒ Applicable ☐ Inapplicable

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB Ten thousand Yuan)	Proportion in the total amounts of transactions of the same kind (%)	Method of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Disclosure index	Related transaction party	Relation
Anhui Huali Packing Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	1,368.57	0.21%	4,000	No	Cash	N/A	3 Apr. 2015	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782520.PDF
Shanghai Huali Packing Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	531.37	0.08%	2,000	No	Cash	N/A	3 Apr. 2015	Same as above
Huali Packing (Huizhou) Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	506.21	0.08%	2,000	No	Cash	N/A	3 Apr. 2015	Same as above
Total				--	--	2,406.15	--	8,000	--	--	--	--	--
Details of large amount of sales returns				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 Company has published the Forecasting Public Notice on Routine Related Transaction for Y2015 (public notice No. 2015-03) on Securities Times, Shanghai Securities News, China Securities Journal and Hong Kong Ta Kung Pao as well as the Internet website designated by CSRC http://www.cninfo.com.cn on 3 Apr. 2015. In the reporting period, the basis for pricing, transaction price, transaction amount and settlement methods of raw materials purchased by the Company were basically in accordance with the forecast. The total amount was RMB 2,406.14 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 had not any significant difference with the market price.

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

☐ Applicable ☒ Inapplicable

There was no any related-party transaction arising from acquisition and sale of assets.

3. Related-party transactions arising from 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, representing a stake of 70%; and OCT contributed RMB 300 million, representing a stake of 30%.	Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd.	Investment, development and operation of the real estate projects in the plant area of the Konka Headquarters	RMB 1 billion	15,986.05	15,945.65	-54.35
Progress of any significant construction in process of the investee (if any)		According to the Proposal on the Cooperation Development Plan of the Urban Renewal Projects of the Headquarters Factory of Konka Group which be reviewed and approved by the 2nd Extraordinary General Meeting held on 8 Dec. 2014 by the Company, the Company and the OCT Group set up the Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd. by joint capital. And recently the urban renewal projects of the original headquarters factory of Konka Group had completed the bid inviting of the planning consulting unit and is harmoniously promoting the dismantling work of the						

	old plant area and so on.
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Notes: if had been disclosed on the interim report but there was on any progress or change of the follow-up execution, the section could select the “inapplicable”, while still needed to be summarized by disclosing on the other related transactions of notes 5 of the section and should provide the relevant index of the inquiry on the interim report disclosure website.

4. Credits and liabilities with related parties

☐ Applicable ☒ Inapplicable

There was no any credit and liability with related parties of the Company in the reporting period.

5. Other related-party transactions

☒ Applicable ☐ Inapplicable

Due to production and operation needs, we have planned to sell LCD to and purchase whole TVs from HuiKe Electronics (Shenzhen) Co., Ltd. (“HKC”). It is expected that during the period from 18 Jun. 2015 to 18 Jun. 2016, we will sell LCD to HKC under the amount of RMB 70 million and purchase whole TVs from HKC under the amount of RMB 120 million.

The related-party transactions between us and HKC amounted to RMB 0 during the reporting period.

For details, see the Company’s announcement on expected routine related-party transactions disclosed on www.cninfo.com.cn dated 29 Jul. 2015.

Announcement title	Date of disclosure	Website of disclosure
Announcement on Expected Routine Related-Party Transactions	29 Jul. 2015	www.cninfo.com.cn

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

☐ Applicable ☒ Inapplicable

The controlling shareholder or its related parties did not occupy the Company’s funds for non-operating purposes during the reporting period.

IX. Significant contracts and fulfillment thereof

1. Trusteeship, contracting and leasing

(1) Trusteeship

☐ Applicable ☒ Inapplicable

The Company did not make any entrustment in the reporting period.

(2) Contracting

☐ Applicable ☒ Inapplicable

The Company was not involved in any contracting in the reporting period.

(3) Leasing

√ Applicable □ Inapplicable

Particulars about lease: The Company's Research and Development Building is rent with annual income of RMB 3315.35 in the first half of 2015.

Any leasing event incurring gain/loss reaching more than 10% of the total profits of the Company in the reporting period

□ Applicable √ Inapplicable

No leasing event incurred gain/loss reaching more than 10% of the total profits of the Company in the reporting period.

2. Guarantees provided by the Company

Unit: RMB Ten Thousand Yuan

Guarantees provided by the company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
No	No	0	No	0		0	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)		0		
Total external guarantee line that has been approved at the end of the reporting period (A3)		0		Total actual external guarantee balance at the end of the reporting period (A4)		0		
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement on the guarantee amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Anhui Konka Electronic Co., Ltd.	21 Nov. 2014	20,000	26 Dec. 2014	7,761.57	General guaranty	1 year	No	No
Anhui Konka Electronic Co., Ltd.	21 Nov. 2014	20,000	12 Mar. 2015	610.79	General guaranty	1 year	No	No

Anhui Electronic Ltd.	Konka Co.,	21 Nov. 2014	20,000	10 Apr. 2015	1, 997. 67	General guaranty	1 year	No	No
Anhui Electronic Ltd.	Konka Co.,	21 Nov. 2014	20,000	14 May 2015	3, 537. 20	General guaranty	1 year	No	No
Anhui Electronic Ltd.	Konka Co.,	21 Nov. 2014	20,000	19 May 2015	4, 259. 39	General guaranty	1 year	No	No
Anhui Tongchuang Household Appliances Ltd.	Konka Co.,	21 Nov. 2014	30,000	30 Jan. 2015	8, 000	General guaranty	1 year	No	No
Anhui Tongchuang Household Appliances Ltd.	Konka Co.,	21 Nov. 2014	30,000	18 Nov. 2014	10, 500	General guaranty	1 year	No	No
Anhui Tongchuang Household Appliances Ltd.	Konka Co.,	21 Nov. 2014	30,000	2 Jun. 2015	2, 000	General guaranty	1 year	No	No
Kunshan Electronic Ltd.	Konka Co.,	21 Nov. 2014	30,000	26 Dec. 2014	5, 214. 15	General guaranty	1 year	No	No
Shenzhen Communication technology Ltd.	Konka Co.,	21 Nov. 2014	60,000	22 Apr. 2015	50, 000	General guaranty	1 year	No	No
Shenzhen Communication technology Ltd.	Konka Co.,	21 Nov. 2014	60,000	28 Jan. 2015	10, 000	General guaranty	1 year	No	No
E-display Commercial Display Co., Ltd.		21 Nov. 2014	4,800	27 Jan. 2015	2, 000	General guaranty	1 year	No	No
Hong Kong Co., Ltd.	Konka Co.,	30 Sep. 2013	307,500	10 Oct. 2014	6, 110	General guaranty	1 year	No	No
Hong Kong Co., Ltd.	Konka Co.,	30 Sep.	307,500	12 Nov. 2014	7, 800	General	1 year	No	No

Co., Ltd.	2013				guaranty			
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	17 Nov. 2014	18,330	General guaranty	1 year	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	20 Nov. 2014	27,495	General guaranty	1 year	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	15 Jan. 2015	30,550	General guaranty	2 years	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	28 Jul. 2014	42,220	General guaranty	2 years	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	17 Sep. 2014	18,880	General guaranty	2 years	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	23 Mar. 2015	15,092	General guaranty	1 year	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	29 May 2015	15,458	General guaranty	1 year	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	26 Jan 2015	24,440	General guaranty	1 year	No	No
Hong Kong Konka Co., Ltd.	30 Sep. 2013	307,500	1 Apr. 2015	14,800	General guaranty	8 months	No	No
Total guarantee line approved for the subsidiaries during the reporting period (B1)				0	Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		152,195.05	
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)		327,055.77	
Guarantees provided by the subsidiaries for the subsidiaries								
Guaranteed party	Disclosure date of relevant announcement on the guarantee amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	6 Feb. 2015	234.79	Joint liability guaranty	6 months	No	No
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	21 Jan. 2015	136.61	Joint liability guaranty	6 months	No	No

Ltd.								
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	10 Feb. 2015	263.97	Joint liability guaranty	6 months	No	No
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	16 Mar. 2015	200.99	Joint liability guaranty	6 months	No	No
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	1 Apr. 2015	84.28	Joint liability guaranty	6 months	No	No
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	21 Apr. 2015	137.08	Joint liability guaranty	6 months	No	No
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	18 Jan. 2015	132.91	Joint liability guaranty	6 months	No	No
Dongguan Konka Mould Plastic Co., Ltd.	27 Apr. 2013	4,631	16 Jan. 2015	163.94	Joint liability guaranty	6 months	No	No
Kunshan Geraint Mould Plastic Co., Ltd.	29 Sep. 2013	23,155	21 Jan. 2014	361.22	Joint liability guaranty	2year	No	No
Kunshan Geraint Mould Plastic Co., Ltd.	29 Sep. 2013	23,155	28 Nov. 2014	78.73	Joint liability guaranty	1 year	No	No
Kunshan Geraint Mould Plastic Co., Ltd.	29 Sep. 2013	23,155	8 Dec. 2014	60.20	Joint liability guaranty	1 year	No	No
Kunshan Geraint Mould Plastic Co., Ltd.	29 Sep. 2013	23,155	3 Dec. 2014	213.03	Joint liability guaranty	1 year	No	No
Kunshan Geraint Mould Plastic Co., Ltd.	29 Sep. 2013	23,155	12Feb. 2015	32.42	Joint liability guaranty	1 year	No	No
Kunshan Geraint Mould Plastic Co., Ltd.	29 Sep. 2013	23,155	5 Feb. 2015	245.44	Joint liability guaranty	1 year	No	No
Total guarantee line approved for the subsidiaries during the reporting period (C1)				0	Total actual occurred amount of guarantee for the subsidiaries during the		1,632.43	

		reporting period (C2)	
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (C3)	27,786	Total actual guarantee balance for the subsidiaries at the end of the reporting period (C4)	2,345.61
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)			
Total guarantee line approved during the reporting period (A1+B1+C1)	0	Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)	153,827.48
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)	504,836	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	329,401.38
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company			86.74%
Of which:			
Amount of guarantee for shareholders, actual controller and related parties (D)			0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)			329,401.38
Part of the amount of the total guarantee over 50% of net assets (F)			139,515.16
Total amount of the above three guarantees (D+E+F)			468,916.53
Explanation on possible bearing joint responsibility of liquidation due to immature guarantee (if any)		Inapplicable	
Explanation on provision of guarantees for external parties in violation of the prescribed procedure (if any)		Inapplicable	

Explanation on guarantee that adopts complex method

There was no any guarantee that adopted complex method of the Company during the reporting period.

(1) Illegal provision of guarantees for external parties

☐ Applicable ☒ Inapplicable

The Company did not illegally provide any guarantee for any external party in the reporting period.

3. Other significant contracts

☐ Applicable ☒ Inapplicable

There was no other significant contract of the Company in the reporting period.

4. Other significant transactions

☐ Applicable ☒ Inapplicable

The Company was not involved in any other significant transaction in the reporting period.

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

☐ Applicable ☒ Inapplicable

No such commitments in the reporting period.

XI. Engagement and disengagement of the CPAs firm

Has the semi-annual financial report been audited?

☒ Yes ☐ No

Name of domestic CPAs firm of auditing the semi-annual financial report	Ruihua Certified Public Accountants (LLP)
Remuneration of domestic CPAs firm of auditing the semi-annual financial report (RMB Ten Thousand Yuan)	90

Change the CPAs firm of the audit of the audit of the semi-annual financial report compared to the 2014 annual report or not?

☐ Yes ☒ No

XII. Punishment and rectification

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

XIII. Delisting risk due to violation of laws or regulations

☐ Applicable ☒ Inapplicable

No such risk in the reporting period.

XIV. Other significant events

☒ Applicable ☐ Inapplicable

No.	Time	Name of announcement	Page	Link
				www.cninfo.com.cn
First half year of 2015				
2015-01	2015-3-28	Announcement on Receipt of Tax Rebates	Securities Times B60, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-03-28/1200753459.PDF
2015-02	2015-4-3	Announcement on the Resolution of the 15 th Session of the 7 th Board of Supervisors	Securities Times B73, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782527.PDF
2015-03	2015-4-3	Forecasting Public Notice on Routine Related Transaction for Y2015	Securities Times B73, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782520.PDF
2015-04	2015-4-3	Notice of Holding the Y2014 Annual General	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782525.PDF

		Meeting		
2015-05	2015-4-3	Announcement on the Changes of Part of the Accounting Policies	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782538.PDF
2015-06	2015-4-3	Abstract of the Y2014 Annual Report of the Konka Group Co., Ltd.	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782521.PDF
2015-07	2015-4-3	Y2014 Annual Report	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782530.PDF
2015-08	2015-4-3	Announcement on the Resolution of the 71 st Session of the 7 th Board of Directors	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782524.PDF
2015-09	2015-4-3	Declaration of the Nominators of the Independent Directors of the Listed Companies (Di Xiaofeng)	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782537.PDF
2015-10	2015-4-3	Declaration of the Nominators of the Independent Directors of the Listed Companies (Li Luoli)	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782536.PDF
2015-11	2015-4-3	Declaration of the Nominators of the Independent Directors of the Listed Companies (Zhang Shuhua)	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782535.PDF
2015-12	2015-4-3	Declaration of the Candidates of the Independent Directors of the Listed Companies (Di Xiaofeng)	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782534.PDF
2015-13	2015-4-3	Declaration of the Candidates of the Independent Directors of the Listed Companies (Li Luoli)	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782533.PDF
2015-14	2015-4-3	Declaration of the Candidates of the Independent Directors of the Listed Companies (Zhang Shuhua)	Securities Times B73, B74, Ta Kung Pao B16-B18	http://www.cninfo.com.cn/finalpage/2015-04-03/1200782532.PDF

2015-15	2015-4-14	Announcement on the Changes of the Office Location of the Company	Securities Times B40, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2015-04-14/1200825769.PDF
2015-16	2015-4-16	Announcement on the Stock Trading Abnormal Fluctuations	Securities Times B80, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-04-16/1200839341.PDF
2015-17	2015-4-29	Test of the Y2015 First Quarter Report (Chinese)	Securities Times B76, Ta Kung Pao A20	http://www.cninfo.com.cn/finalpage/2015-04-29/1200930942.PDF
2015-18	2015-4-29	Full Test of the Y2015 First Quarter Report (Chinese)	Securities Times B76, Ta Kung Pao A20	http://www.cninfo.com.cn/finalpage/2015-04-29/1200930945.PDF
2015-19	2015-5-8	Announcement on the Stock Trading Abnormal Fluctuations	Securities Times B80, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2015-05-08/1200979093.PDF
2015-20	2015-5-13	Announcement on the Stock Trading Abnormal Fluctuations	Securities Times B68, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2015-05-13/1201006433.PDF
2015-21	2015-5-15	Announcement on the Shareholders Increasing the Candidates of the Nominated Directors and Supervisors	Securities Times B85, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2015-05-15/1201015562.PDF
2015-22	2015-5-15	Notice of Holding the Y2014 Annual General Meeting (renewed)	Securities Times B85, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2015-05-15/1201015561.PDF
2015-23	2015-5-15	Declaration of the Candidates of the Independent Directors	Securities Times B85, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2015-05-15/1201015563.PDF
2015-24	2015-5-15	Declaration of the Nominators of the Independent Directors	Securities Times B85, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2015-05-15/1201015564.PDF
2015-25	2015-5-16	Announcement on the Shareholders Increasing the Candidates of the Nominated Directors and Supervisors	Securities Times B37, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2015-05-16/1201020163.PDF
2015-26	2015-5-16	Notice of Holding the Y2014 Annual General Meeting (after the second renewal)	Securities Times B37, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2015-05-16/1201020162.PDF
2015-27	2015-5-16	Declaration of the Nominators of the Independent Directors (Xiao Zuhe)	Securities Times B37, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2015-05-16/1201020165.PDF

2015-28	2015-5-16	Declaration of the Candidatures of the Independent Directors (Xiao Zuhe)	Securities Times B37, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2015-05-16/1201020164.PDF
2015-29	2015-5-19	Indicative Announcement on the Controlling Shareholders of Increasing the Shareholding of the Shares of the Company	Securities Times B49, Ta Kung Pao 11	http://www.cninfo.com.cn/finalpage/2015-05-19/1201031184.PDF
	2015-5-19	Detailed Report of the Changes of the Equities	Securities Times B49, Ta Kung Pao 11	http://www.cninfo.com.cn/finalpage/2015-05-19/1201031185.PDF
2015-30	2015-5-20	Announcement on the Resolution of the 73 rd Session of the 7 th Board of Directors	Securities Times B37, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-05-20/1201035530.PDF
2015-31	2015-5-23	Indicative Announcement on Holding the Y2014 Annual General Meeting	Securities Times B53, Ta Kung Pao A23	http://www.cninfo.com.cn/finalpage/2015-05-23/1201049180.PDF
2015-32	2015-5-27	Announcement on the General Election of the Employee Supervisors	Securities Times B45, Ta Kung Pao B19	http://www.cninfo.com.cn/finalpage/2015-05-27/1201065868.PDF
2015-33	2015-5-29	Announcement on the Resolution of the Y2014 Annual General Meeting	Securities Times B4, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-05-29/1201078987.PDF
2015-34	2015-5-30	Announcement on the Listing Suspension of the Significant Events	Securities Times B60, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-05-30/1201082236.PDF
2015-35	2015-6-5	Announcement on the Trading Resumption of the Significant Events	Securities Times B60, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2015-06-05/1201106173.PDF
2015-36	2015-6-5	Announcement on the Resolution of the 1 st Session of the 8 th Board of Directors	Securities Times B60, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2015-06-05/1201106172.PDF
2015-37	2015-6-5	Announcement on the Resolution of the 1 st Session of the 8 th Board of Supervisors	Securities Times B60, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2015-06-05/1201106171.PDF
2015-38	2015-6-12	Announcement on the Listing Suspension of the Significant Events	Securities Times B36, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-06-12/1201139697.PDF
2015-39	2015-6-12	Announcement on the Stock Trading Abnormal	Securities Times B36, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-06-12/1201139696.PDF

		Fluctuations		
2015-40	2015-6-19	Announcement on the Resolution of the 2 nd Session of the 8 th Board of Directors	Securities Times B60, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-06-19/1201168695.PDF
2015-41	2015-6-19	Announcement on the Progress of the Significant Events	Securities Times B60, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2015-06-19/1201168694.PDF
2015-42	2015-6-27	Announcement on the Progress of the Significant Events	Securities Times B37, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2015-06-27/1201200899.PDF

Section VI. Changes in Shares & Particulars about Shareholders

I. Change in shares

Unit: Share

	Before the change		Increase/decrease in the change (+,-)					After the change	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Number	Proportion
I. Shares subject to trading moratorium	198,381,940	16.48%				63,405	63,405	198,445,345	16.49%
2. Shares held by state-owned corporation	198,381,940	16.48%						198,381,940	16.48%
3, other domestic holdings						63,405	63,405	63,405	0.01%
Shares held by the domestic individuals						63,405	63,405	63,405	0.01%
II. Shares not subject to trading moratorium	1,005,590,764	83.52%				-63,405	-63,405	1,005,527,359	83.51%
1. RMB ordinary shares	599,914,960	49.83%						599,914,960	49.83%
2. Domestically listed foreign shares	405,675,804	33.69%				-63,405	-63,405	405,612,399	33.68%
III. Total shares	1,203,972,704	100.00%				0	0	1,203,972,704	100.00%

Notes: on 28 May 2015 of the Y2014 Annual General Meeting, Mr. Zhang Guanghai be selected as the Supervisor of the Company, who held 84,540 shares of the shares of the Company and according to the stipulations of the relevant laws and regulations, 63,405 shares of which were the shares subjecting to trading moratorium.

Reasons for changes in shares

☐ Applicable ☒ Inapplicable

Approval of share changes

☐ Applicable ☒ Inapplicable

Transfer of share ownership

☐ Applicable ☒ Inapplicable

Effects of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to

common shareholders of the Company and other financial indexes over the last year and the last reporting period

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

II. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period		51,744	Total number of preferred share holders who had resumed their voting right at the end of the reporting period (if any) (see note 8)	0				
Shareholdings of common shareholders holding more than 5% shares or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholdin g percentage (%)	Number of shares held at the end of the reporting period	Increase/de crease of shares during the reporting period	Number of restricted shares held	Number of non-restrict ed shares held	Pledged or frozen shares	
							Status of shares	Number of shares
OCT Enterprises Co.	State-owned corporation	21.75%	261,873,466	0	198,381,940	63,491,526	Pledged	0
							Frozen	0
CITIC Securities Brokerage (Hong Kong) Co., Ltd.	Foreign corporation	7.48%	90,000,555	90,000,555	0	90,000,555	Pledged	0
							Frozen	0
Guoyuan Securities Broker (HK) Co., Ltd.	Foreign corporation	2.81%	33,860,309	19,815,409	0	33,860,309	Pledged	0
							Frozen	0
China Resources SCP Trust Co., Ltd. —Extraordinary No. 18 Capital Trust	Domestic non-state-owned corporation	2.48%	29,878,723	6,762,855	0	29,878,723	Pledged	0
							Frozen	0
Gaoling	Foreign	2.19%	26,400,620	0	0	26,400,625	Pledged	0

Fund,L.P.	corporation		5				Frozen	0
Holy Time Group Limited	Foreign corporation	2.18%	26,290,177	-20,243,438	0	26,290,177	Pledged	0
							Frozen	0
China Resources SCP Trust Co., Ltd. — Extraordinary No. 17 Capital Trust	Domestic non-state-owned corporation	2.00%	24,083,850	7,661,215	0	24,083,850	Pledged	0
							Frozen	0
Sun Zhenxiang	Domestic individual	1.40%	16,878,116	2,784,128	0	16,878,116	Pledged	0
							Frozen	0
National Social Security Fund 118 Group	Others	1.14%	13,702,689	13,702,689	0	13,702,689	Pledged	0
							Frozen	0
Nam Ngai	Foreign individual	0.97%	11,690,520	0	0	11,690,520	Pledged	0
							Frozen	0
Strategic investor or general corporation becoming a top ten shareholder due to placing of new shares (if any)		N/A						
Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders:		Jialong Investment Limited, a wholly-funded subsidiary of the Company’s first majority shareholder OCT Enterprises Co., holds 90,000,555 common shares in the Company through CITIC Securities Brokerage (Hong Kong) Co., Ltd. Therefore, Jialong Investment Limited and OCT Enterprises Co. are parties acting in concert. 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 common shareholders holding shares not subject to trading moratorium								
Name of shareholder	Number of tradable shares held at the period-end					Type of shares		
						Type	Number	
CITIC Securities Brokerage (Hong Kong) Co., Ltd.	90,000,555					Domestically listed shares	foreign	90,000,555
OCT Enterprises Co.	63,491,526					RMB share	ordinary	63,491,526
Guoyuan Securities Broker (HK) Co., Ltd.	33,860,309					Domestically listed shares	foreign	333,860,309
China Resources SCP Trust Co., Ltd. — Extraordinary No. 18 Capital Trust	29,878,723					RMB share	ordinary	29,878,723

Gaoling Fund,L.P.	26,400,625	Domestically listed foreign shares	26,400,625
Holy Time Group Limited	26,290,177	Domestically listed foreign shares	26,290,177
China Resources SCP Trust Co., Ltd. — Extraordinary No. 17 Capital Trust	24,083,850	RMB ordinary share	24,083,850
Sun Zhenxiang	16,878,116	RMB ordinary share	16,878,116
National Social Security Fund 118 Group	13,702,689	RMB ordinary share	13,702,689
Nam Ngai	11,690,520	Domestically listed foreign shares	11,690,520
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	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder OCT Enterprises Co., holds 90,000,555 common shares in the Company through CITIC Securities Brokerage (Hong Kong) Co., Ltd. Therefore, Jialong Investment Limited and OCT Enterprises Co. are parties acting in concert. 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 11,386,300 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.

III. Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the reporting period

☐ Applicable ☒ Inapplicable

The controlling shareholder of the Company did not change in the reporting period.

Change of the actual controller in the reporting period

☐ Applicable ☒ Inapplicable

The actual controller of the Company did not change in the reporting period.

IV. Any shareholding increase plan proposed or implemented by any shareholder or its act-in-concert party during the reporting period

☐ Applicable ☒ Inapplicable

To the best knowledge of the Company, no shareholder or its act-in-concert party proposed or implemented any shareholding increase plan during the reporting period.

Section VII. Preference Shares

☐ Applicable ☒ Inapplicable

There was no any preference share of the Company in the reporting period.

Section VIII. Directors, Supervisors & Senior Management Staff

I. Change of shareholdings of directors, supervisors and senior management staff

√ Applicable □ Inapplicable

Name	Office title	Incumbent /former	Number of shares held at the period-begin in (share)	Number of shares increased at reporting period (share)	Number of shares decreased at reporting period (share)	Number of shares held at the period-end (share)	Number of granted restricted shares at the period-begin (share)	Number of restricted shares granted in reporting period (share)	Number of granted restricted shares at the period-end (share)
Liu Fengxi	Chairman of the Board	Current	0	0	0	0	0	0	0
Jin Qingjun	Director	Current	0	0	0	0	0	0	0
Chen Yuehua	Director	Current	0	0	0	0	0	0	0
Song Zhenhua	Director, Vice President	Current	0	0	0	0	0	0	0
Zhang Min	Independent Director	Current	0	0	0	0	0	0	0
Xiao Zuhe	Independent Director	Current	0	0	0	0	0	0	0
Zhang Shuhua	Independent Director	Current	0	0	0	0	0	0	0
Hao Gang	Supervisor	Current	0	0	0	0	0	0	0
Zhang Guanghui	Supervisor	Current	0	84,540	0	84,540	0	0	0
Li Jun	Employee Supervisors	Current	0	0	0	0	0	0	0
Liu Dan	President	Current	0	0	0	0	0	0	0
Xiao Qing	Executive Vice President	Current	0	0	0	0	0	0	0

Huang Zhongtian	Vice President	Current	0	0	0	0	0	0	0
He Jianjun	Vice President	Current	0	0	0	0	0	0	0
Lin Gaike	Vice President	Current	0	0	0	0	0	0	0
Wan Libo	Vice President	Current	0	0	0	0	0	0	0
Li Hongtao	Vice President	Current	0	0	0	0	0	0	0
Lin Hongfan	Vice President	Current	0	0	0	0	0	0	0
Wu Yongjun	Board Secretary	Current	0	0	0	0	0	0	0
Chen Yuehua	Board Chairman	Left	0	0	0	0	0	0	0
Su Zheng	Director	Left	0	0	0	0	0	0	0
Wang Xiaowen	Director	Left	0	0	0	0	0	0	0
He Haibin	Director	Left	0	0	0	0	0	0	0
Feng Yutao	Independent Director	Left	0	0	0	0	0	0	0
Yang Haiying	Independent Director	Left	0	0	0	0	0	0	0
Zhang Zhong	Independent Director	Left	0	0	0	0	0	0	0
Dong Yaping	Supervisory	Left	0	0	0	0	0	0	0
Liu Yong	Employee Supervisor	Left	0	0	0	0	0	0	0
Liu Fengxi	President	Left	0	0	0	0	0	0	0
Xiao Qing	Board Secretary	Left	0	0	0	0	0	0	0
Huang Zhiqiang	CFO	Left	0	0	0	0	0	0	0
Total	--	--	0	84,540	0	84,540	0	0	0

Notes: on 27 Aug. 2015, the resolution of the 4th Session of the 8th Board of Directors decided to engage Mr. Xiao Qing as the Executive Vice President and Mr. Wu Yongjun as the Board

Secretary of the Company.**II. Change of directors, supervisors and senior management staff**

√ Applicable □ Inapplicable

Name	Position	Type	Date	Reason
Liu Fengxi	Director	Appointment and dismissal	28 May 2015	Be elected as the Director through the Annual General Meeting
Liu Fengxi	Board Chairman	Elected	18 Jun. 2015	Be elected as the Board Chairman through the Board Meeting
Jin Qingjun	Director	Elected	28 May 2015	Be elected as the Director through the Annual General Meeting
Chen Yuehua	Director	Appointment and dismissal	28 May 2015	Be elected as the Director through the Annual General Meeting
Song Zhenhua	Director	Elected	28 May 2015	Be elected as the Director through the Annual General Meeting
Zhang Min	Independent Director	Elected	28 May 2015	Be elected as the Director through the Annual General Meeting
Xiao Zuhe	Independent Director	Elected	28 May 2015	Be elected as the Independent Director through the Annual General Meeting
Zhang Shuhua	Independent Director	Elected	28 May 2015	Be elected as the Independent Director through the Annual General Meeting
Hao Gang	Supervisory	Elected	28 May 2015	Be elected as the Supervisor through the Annual General Meeting and be selected as the Supervisory through the Board of Supervisors
Zhang Guanghui	Supervisor	Elected	28 May 2015	Be elected as the Supervisor through the Board of Supervisors
Li Jun	Employee Supervisor	Elected	28 May 2015	Be elected as the Employee Supervisors through the Employees' Assembly
Liu Dan	President	Engaged	18 Jun. 2015	Be engaged by the decision from the Board of Directors
Song Zhenhua	Vice President	Engaged	18 Jun. 2015	Be engaged by the decision from the Board of Directors
Xiao Qing	Executive Vice President	Engaged	27 Aug. 2015	Be engaged by the decision from the Board of Directors
Wan Libo	Vice President	Engaged	19 May 2015	Be engaged by the decision from the Board of Directors
Lin Hongfan	Vice President	Engaged	18 Jun. 2015	Be engaged by the decision from the Board of Directors
Wu Yongjun	Board Secretary	Engaged	27 Aug. 2015	Be engaged by the decision from the Board of Directors
Su Zheng	Director	Left as term expired	28 May 2015	Term expired of the Board of Directors
Wang Xiaowen	Director	Left as term expired	28 May 2015	Term expired of the Board of Directors

He Haibin	Director	Left as term expired	28 May 2015	Term expired of the Board of Directors
Feng Yutao	Independent Director	Left as term expired	28 May 2015	Term expired of the Board of Directors
Yang Haiying	Independent Director	Left as term expired	28 May 2015	Term expired of the Board of Directors
Zhang Zhong	Independent Director	Left as term expired	28 May 2015	Term expired of the Board of Directors
Dong Yaping	Supervisory	Left as term expired	28 May 2015	Term expired of the Board of Supervisors
Liu Yong	Employee Supervisor	Left as term expired	28 May 2015	Term expired of the Board of Supervisors
Huang Zhiqiang	CFO	Left	18 Jun. 2015	Resigned owing to personal reasons

Section IX. Financial Report

- I.** Audit report
- II.** Audited financial statement
 - 1. Consolidated balance sheet
 - 2. Consolidated statement of income
 - 3. Consolidated statement of cash flow
 - 4. Consolidated statement of changes in shareholders' equities
 - 5. Balance sheet
 - 6. Income statement
 - 7. Cash flow statement
 - 8. Statement of changes in stockholders' equity accounts
 - 9. Annexed table of financial statement
 - 10. Supplementary information of the notes of the financial statement

I. Audit report

Has this semi-annual report been audited?

☒ Yes ☐ No

Type of audit opinion	Standard unqualified audit opinion
Date for signing the auditor's report	27 Aug. 2015
Name of the audit firm	Ruihua CPAs (LLP)
Document Number of the auditor's report	R-H-S-Z [2015] No. 44040034
Name of the CPA	Liu Jianhua, Shang Qimei

Whether the semi-annual audit report was the non-standard audit report

☐ Yes ☒ No

Auditor's Report

R-H-S-Z [2015] No. 44040034

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 30 Jun. 2015, 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 Jan-Jun .2015 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 the first half year of 2015 and the consolidated business results and cash flows for the year then ended, as well as the Company's financial positions as at the Jan-Jun of 2015 and business results and cash flows for the year then ended.

CPA: Ruihua Certified Public Accountants (LLP)
CPA: China Beijing

27 Aug. 2015

II. Financial statements

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

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

30 Jun. 2015

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	2, 265, 265, 648. 68	1, 703, 135, 732. 18
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, 234, 108, 057. 77	3, 819, 417, 076. 37
Accounts receivable	2, 205, 869, 401. 51	2, 259, 293, 207. 16
Accounts paid in advance	473, 849, 216. 13	315, 150, 044. 57
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract		

reserves		
Interest receivable	2,911,894.95	1,885,727.36
Dividend receivable		
Other accounts receivable	299,254,830.25	298,975,391.68
Financial assets purchased under agreements to resell		
Inventories	3,745,804,720.74	3,904,436,250.33
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	319,508,306.22	568,020,200.48
Total current assets	12,546,572,076.25	12,870,313,630.13
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	305,809,971.20	245,033,609.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	364,805,011.18	362,765,183.66
Investing real estate	230,533,815.65	233,349,452.80
Fixed assets	1,759,970,665.94	1,783,695,548.92
Construction in progress	195,928,495.84	159,604,884.09
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	354,648,538.76	347,626,130.58
R&D expense		
Goodwill	3,597,657.15	3,597,657.15
Long-term deferred expenses	50,637,205.71	25,792,805.06
Deferred income tax assets	320,295,659.54	259,516,396.26
Other non-current assets	—	488,063,979.00
Total of non-current assets	3,586,227,020.97	3,909,045,646.52
Total assets	16,132,799,097.22	16,779,359,276.65
Current liabilities:		
Short-term borrowings	5,539,496,207.68	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	1,069,722,035.13	911,355,028.47
Accounts payable	2,582,840,877.06	3,144,408,433.93
Accounts received in advance	402,867,136.96	302,904,453.86
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	215,006,492.49	299,272,715.05
Tax payable	72,049,299.90	112,557,005.85
Interest payable	32,580,621.62	22,872,418.43
Dividend payable	12,039,727.04	—
Other accounts payable	1,261,835,707.99	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	796,757.13	1,525,465.53
Other current liabilities		
Total current liabilities	11,189,234,863.00	11,317,411,339.06
Non-current liabilities:		
Long-term borrowings	678,111,262.86	957,541,210.52
Bonds payable		
Of which: preferred shares		
Perpetual bonds		
Long-term payables	30,133,928.20	30,029,990.10
Long-term payroll payables	26,256,521.15	28,554,734.16
Specific payables		
Estimated liabilities		
Deferred income	147,931,651.71	147,315,999.02

Deferred income tax liabilities	7,391,081.84	1,049,498.77
Other non-current liabilities		
Total non-current liabilities	889,824,445.76	1,164,491,432.57
Total liabilities	12,079,059,308.76	12,481,902,771.63
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	1,291,877,244.65	1,289,403,563.99
Less: Treasury stock		
Other comprehensive income	16,936,510.45	16,171,477.91
Specific reserves		
Surplus reserves	847,908,466.28	847,908,466.28
Provisions for general risks		
Retained profits	437,029,524.46	746,022,758.89
Total equity attributable to owners of the Company	3,797,724,449.84	4,103,478,971.07
Minority interests	256,015,338.62	193,977,533.95
Total owners' equity	4,053,739,788.46	4,297,456,505.02
Total liabilities and owners' equity	16,132,799,097.22	16,779,359,276.65

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

2. Balance sheet of the Company

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	1,049,662,097.01	993,131,773.08
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	3,023,526,485.21	3,664,117,423.56
Accounts receivable	1,690,010,252.92	1,539,295,976.29
Accounts paid in advance	325,383,806.52	349,343,179.42
Interest receivable	22,236,655.07	14,450,153.53

Dividend receivable		
Other accounts receivable	860,013,572.76	988,199,630.05
Inventories	2,099,963,455.30	2,500,537,916.63
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	186,428,205.55	201,280,204.53
Total current assets	9,257,224,530.34	10,250,356,257.09
Non-current assets:		
Available-for-sale financial assets	273,703,636.20	218,983,609.00
Held-to-maturity investments	572,000,000.00	600,000,000.00
Long-term accounts receivable		
Long-term equity investment	1,740,702,147.33	1,608,674,456.09
Investing real estate	230,533,815.65	233,349,452.80
Fixed assets	530,154,238.89	534,363,754.80
Construction in progress	27,317,551.97	37,567,861.10
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	86,672,972.60	76,397,532.51
R&D expense		
Goodwill		
Long-term deferred expenses	37,834,404.29	14,567,206.83
Deferred income tax assets	296,951,410.01	244,080,035.45
Other non-current assets		
Total of non-current assets	3,795,870,176.94	3,567,983,908.58
Total assets	13,053,094,707.28	13,818,340,165.67
Current liabilities:		
Short-term borrowings	709,307,085.80	244,808,594.52
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	416,904,914.18	367,803,372.65
Accounts payable	6,371,133,333.34	7,871,208,959.66
Accounts received in advance	320,440,041.22	190,627,895.21
Payroll payable	103,808,582.75	146,758,331.08

Tax payable	22,331,966.66	5,081,943.95
Interest payable	5,624,327.52	5,406,211.20
Dividend payable	12,039,727.04	—
Other accounts payable	1,345,069,025.79	1,103,672,772.19
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	9,306,659,004.30	9,935,368,080.46
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	82,472,428.88	80,679,738.96
Deferred income tax liabilities	5,960,028.72	—
Other non-current liabilities		
Total non-current liabilities	88,432,457.60	80,679,738.96
Total liabilities	9,395,091,461.90	10,016,047,819.42
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	1,250,283,488.79
Less: Treasury stock		
Other comprehensive income	542,790.41	471,827.51
Specific reserves	—	—
Surplus reserves	847,908,466.28	847,908,466.28
Retained profits	355,295,795.90	499,655,859.67
Total owners' equity	3,658,003,245.38	3,802,292,346.25
Total liabilities and owners' equity	13,053,094,707.28	13,818,340,165.67

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

3. Consolidated income statement

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Total operating revenues	8,944,558,920.96	8,390,067,695.48
Including: Sales income	8,944,558,920.96	8,390,067,695.48
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	9,373,665,025.38	8,628,811,627.79
Including: Cost of sales	7,791,215,800.57	7,003,790,313.05
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	28,710,006.67	27,245,781.49
Selling and distribution expenses	1,124,688,950.35	1,155,868,360.85
Administrative expenses	292,238,903.71	304,442,442.38
Financial expenses	99,066,911.17	101,860,777.24
Asset impairment loss	37,744,452.91	35,603,952.78
Add: Gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	7,185,454.13	266,440,118.63
Including: share of profits in associates and joint ventures	-5,017,326.86	1,720,001.40
Foreign exchange gains ("-" means loss)		
III. Business profit ("-" means loss)	-421,920,650.29	27,696,186.32

Add: non-operating income	69,423,163.55	58,215,468.02
Including: Gains on disposal of non-current assets	140,774.90	160,385.54
Less: non-operating expense	3,222,304.15	4,035,941.02
Including: Losses on disposal of non-current assets	1,333,624.80	3,468,914.31
IV. Total profit (“-” means loss)	-355,719,790.89	81,875,713.32
Less: Income tax expense	-51,101,619.20	35,514,884.35
V. Net profit (“-” means loss)	-304,618,171.69	46,360,828.97
Net profit attributable to owners of the Company	-296,953,507.39	44,394,585.84
Minority shareholders’ income	-7,664,664.30	1,966,243.13
VI. After-tax net amount of other comprehensive incomes	1,132,503.31	2,175,683.27
After-tax net amount of other comprehensive incomes attributable to owners of the Company	765,032.54	2,114,026.98
(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	765,032.54	2,114,026.98
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	90,185.65	21,115.80
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	674,846.89	2,092,911.18
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders	367,470.77	61,656.29
VII. Total comprehensive incomes	-303,485,668.38	48,536,512.24
Attributable to owners of the Company	-296,188,474.85	46,508,612.82
Attributable to minority shareholders	-7,297,193.53	2,027,899.42
VIII. Earnings per share		
(I) Basic earnings per share	-0.25	0.04
(II) Diluted earnings per share	-0.25	0.04

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

4. Income statement of the Company

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Total sales	7,789,566,135.08	8,472,805,986.02
Less: cost of sales	7,039,398,999.32	7,511,551,731.49
Business taxes and surcharges	14,474,426.92	16,794,110.13
Distribution expenses	809,860,840.08	922,354,852.66
Administrative expenses	153,399,610.11	196,095,536.45
Financial costs	11,216,562.70	44,234,839.30
Impairment loss	18,082,479.13	27,776,711.70
Add: gain/(loss) from change in fair value ("-" means loss)	-	-
Gain/(loss) from investment ("-" means loss)	39,372,796.93	271,435,144.18
Including: income from investment on associates and joint ventures	-1,682,308.76	-2,175,501.89
II. Business profit ("-" means loss)	-217,493,986.25	25,433,348.47
Add: non-operating income	39,750,811.83	33,360,363.48
Including: Gains on disposal of non-current assets	78,912.49	-

Less: non-operating expense	1, 526, 230. 88	1, 608, 736. 38
Including: Losses on disposal of non-current assets	903, 506. 68	1, 514, 063. 10
III. Total profit (“-” means loss)	-179, 269, 405. 30	57, 184, 975. 57
Less: Income tax expense	-46, 949, 068. 57	14, 932, 546. 51
IV. Net profit (“-” means loss)	-132, 320, 336. 73	42, 252, 429. 06
V. After-tax net amount of other comprehensive incomes	70, 962. 90	21, 115. 80
(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	70, 962. 90	21, 115. 80
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	70, 962. 90	21, 115. 80
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		
6. Other		
VI. Total comprehensive incomes	-132, 249, 373. 83	42, 273, 544. 86
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

5. Consolidated cash flow statement

Unit: RMB Yuan

Item	Reporting period	Same period of last year
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	9,091,215,409.73	8,265,282,430.24
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	179,813,857.62	196,033,233.62
Other cash received relating to operating activities	186,582,496.97	173,270,417.80
Subtotal of cash inflows from operating activities	9,457,611,764.32	8,634,586,081.66
Cash paid for goods and services	7,641,403,251.15	5,557,372,388.56
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	914,786,833.95	881,787,596.74
Various taxes paid	290,017,993.03	414,347,427.94
Other cash payment relating to operating activities	582,490,169.47	573,150,587.30
Subtotal of cash outflows from operating activities	9,428,698,247.60	7,426,658,000.54
Net cash flows from operating activities	28,913,516.72	1,207,928,081.12
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	20,170,536.85	13,879,620.00
Cash received from return on investments	13,104,708.65	157,693.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	244,057.50	7,917,613.23
Net cash received from disposal of subsidiaries or other business units		233,782,351.98
Other cash received relating to investing activities	1,788,563,979.00	200,000,000.00
Subtotal of cash inflows from investing activities	1,822,083,282.00	455,737,278.77
Cash paid to acquire fixed assets, intangible assets and other long-term assets	122,139,343.19	626,949,134.37
Cash paid for investment	70,266,706.00	7,723,300.00
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	1,306,934,952.07	600,183,497.35
Subtotal of cash outflows from investing activities	1,499,341,001.26	1,234,855,931.72

Net cash flows from investing activities	322,742,280.74	-779,118,652.95
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	70,677,725.44	
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings	2,233,051,652.35	1,671,417,041.46
Cash received from issuance of bonds		
Other cash received relating to financing activities	118,095,176.56	236,460.60
Subtotal of cash inflows from financing activities	2,421,824,554.35	1,671,653,502.06
Repayment of borrowings	2,137,458,379.74	2,027,899,932.25
Cash paid for interest expenses and distribution of dividends or profit	68,163,779.14	44,821,809.15
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	133,861,961.59	178,071,161.01
Sub-total of cash outflows from financing activities	2,339,484,120.47	2,250,792,902.41
Net cash flows from financing activities	82,340,433.88	-579,139,400.35
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-37,751,951.34	10,892,224.69
V. Net increase in cash and cash equivalents	396,244,280.00	-139,437,747.49
Add: Opening balance of cash and cash equivalents	1,640,236,837.08	1,771,489,421.21
VI. Closing balance of cash and cash equivalents	2,036,481,117.08	1,632,051,673.72

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

6. Cash flow statement of the Company

Unit: RMB Yuan

Item	Reporting period	Same period of last year
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I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	6,629,377,417.70	6,366,712,860.82
Tax refunds received	64,799,118.52	74,807,745.10
Other cash received relating to operating activities	1,377,079,891.69	161,045,296.10
Subtotal of cash inflows from operating activities	8,071,256,427.91	7,090,629,881.02
Cash paid for goods and services	6,545,865,079.11	4,475,725,045.81
Cash paid to and for employees	476,270,145.75	485,469,053.36
Various taxes paid	107,694,528.48	191,472,856.18
Other cash payment relating to operating activities	1,141,233,856.69	616,128,790.00
Subtotal of cash outflows from operating activities	8,271,063,610.03	5,768,795,745.35
Net cash flows from operating activities	-199,807,182.12	1,321,834,135.67
II. Cash flows from investing activities:		
Cash received from retraction of investments	5,278,509.85	261,567,420.00
Cash received from return on investments	23,022,273.10	8,624,360.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	55,338,137.50	7,556,113.23
Net cash received from disposal of subsidiaries or other business units	8,889.24	—
Other cash received relating to investing activities	1,400,000,000.00	200,000,000.00
Subtotal of cash inflows from investing activities	1,483,647,809.69	477,747,893.45
Cash paid to acquire fixed assets, intangible assets and other long-term assets	25,438,491.22	540,291,381.68
Cash paid for investment	188,835,410.00	1,723,300.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	1,374,884,590.00	640,000,000.00
Subtotal of cash outflows from investing activities	1,589,158,491.22	693,950,702.68

Net cash flows from investing activities	-105,510,681.53	-216,202,809.23
III. Cash Flows from Financing Activities:	-	-
Cash received from capital contributions		-
Cash received from borrowings	61,422,000.00	-
Cash received from issuance of bonds	-	-
Other cash received relating to financing activities	434,734,396.24	235,988.85
Subtotal of cash inflows from financing activities	496,156,396.24	235,988.85
Repayment of borrowings	-	-
Cash paid for interest expenses and distribution of dividends or profit	-	11,854,357.13
Other cash payments relating to financing activities	133,921,663.91	176,578,387.43
Sub-total of cash outflows from financing activities	133,921,663.91	188,432,744.56
Net cash flows from financing activities	362,234,732.33	-188,196,755.71
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-3,281,640.26	-530,199.59
V. Net increase in cash and cash equivalents	53,635,228.42	916,904,371.14
Add: Opening balance of cash and cash equivalents	991,459,790.62	1,117,689,643.16
VI. Closing balance of cash and cash equivalents	1,045,095,019.04	2,034,594,014.30

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

7. Consolidated statement of changes in owners' equity

Jan. – Jun. 2015

Unit: RMB Yuan

Item	Reporting period												
	Equity attributable to owners of the Company										Minori ty interes ts	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other compreh ensive	Specifi c reserv	Surplus reserve	Gener al risk reserv			Retained profit
		Pref	Perp	Ot									

		erred share s	etual bond s	he r			incomes	e		e			
I. Balance at the end of the previous year	1,203,972,704.00				1,289,403,563.99		16,171,477.91		847,908,466.28		746,022,758.89	193,977,533.95	4,297,456,505.02
Add: change of accounting policy	-				-		-		-		-	-	-
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	-	-	-	1,289,403,563.99	-	16,171,477.91	-	847,908,466.28	-	746,022,758.89	193,977,533.95	4,297,456,505.02
III. Increase/decrease in the period ("-" means decrease)	-	-	-	-	2,473,680.66	-	765,032.54	-	-	-	-308,993,234.43	62,037,804.67	-243,716,716.56
(I) Total comprehensive incomes	-				-		765,032.54		-		-296,953,507.39	-7,297,193.53	-303,485,668.38
(II) Capital increased and reduced by owners	-	-	-	-	-	-	-	-	-	-	-	70,678,264.16	70,678,264.16
1. Common shares increased by shareholders	-				-		-		-		-	70,678,264.16	70,678,264.16

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	-1,343,265.96	-13,382,993.00
1. Appropriations to surplus reserves	-					-		-		-		-	
2. Appropriations to general risk provisions	-					-		-		-		-	
3. Appropriations to owners (or shareholders)	-					-		-		-	-12,039,727.04	-1,343,265.96	-13,382,993.00
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	-				2,473,680.66		-		-		-		-2,473,680.66
IV. Closing balance	1,203,972,704.00	-	-	-	1,291,877,244.65	-	16,936,510.45	-	847,908,466.28	-	437,029,524.46	256,015,338.62	4,053,739,788.46

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

Jan.-Jun. 2014

Unit: RMB Yuan

Item	Last year												
	Equity attributable to owners of the Company										Minority interest s	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 beginning of the 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
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	-				-		-		-		-	-	-
(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, 7 27. 04	-	-12, 039, 7 27. 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, 1 23. 83		-		-		-		-25, 006, 1 23. 83
IV. Closing balance	1, 203, 9 72, 704. 00	-	-	-	1, 289, 403 , 563. 99	-	16, 171, 47 7. 91	847, 908, 4 66. 28	-	746, 022, 7 58. 89	193, 977, 5 33. 95	4, 297, 456 , 505. 02	

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

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

Jan. – Jun. 2015

Unit: RMB Yuan

Item	Reporting period										
	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	-	-	-	1,250,283,488.79	-	471,827.51	-	847,908,466.28	499,655,859.67	3,802,292,346.25
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	-	-	-	1,250,283,488.79	-	471,827.51	-	847,908,466.28	499,655,859.67	3,802,292,346.25
III. Increase/decrease in the period ("-" means decrease)	-	-	-	-	-	-	70,962.90	-	-	-144,360,063.77	-144,289,100.87
(I) Total comprehensive incomes	-	-	-	-	-	-	70,962.90	-	-	-132,320,336.73	-132,249,373.83
(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 (or shareholders)	-	-	-	-	-	-	-	-	-	-12,039,727.04	-12,039,727.04
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	-	-	-	1,250,283,488.79	-	542,790.41	-	847,908,466.28	355,295.90	3,658,003,245.38

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

Jan.-Jun. 2014

Unit: RMB Yuan

Item	Same period of last year										
	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 (or shareholders)	-	-	-	-	-	-	-	-	-	-12,039,727.04	-12,039,727.04
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

Legal representative: Liu Fengxi

Chief of the accounting work: Xu Youshan

Chief of the accounting organ: Xu Youshan

III. Company Profile

Konka group company limited

2015 1 June notes to the financial statements

(Unless otherwise indicated, amounts to RMB)

I The basic situation of the company

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 meeting of shareholders of the Company. With approval from the SZBF No. 5 [1996] document as issued by Shenzhen Securities Regulatory Office, and reexamination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on July 16, 1996 and October 29, 1996, all shareholders were respectively allotted three shares for every ten existing shares held at RMB 6.28/A-share and HKD 5.85/B-share. Corporate shareholders took their respective existing shares as bases for full subscription of the allocable shares. The total capital stock reached 365,572,641 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 disassembling) (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 financial statements of the Company were submitted upon approval of the Board of Directors on 27 Aug. 2015.

5. There were 45 subsidiaries included in the consolidation scope of 2015 of the Company, and please refer to the Notes VIII. "Equities among other entities" for details. There were 6 subsidiaries increased and 1 decreased in the consolidation scope of 2015 over the last year of the Company, and the gains and losses as well as the cash flows of the subsidiary which be decreased before the date losing the control right should be recorded in the consolidation of the reporting period and please refer to the Notes VII. "Changes of the consolidation scope" for details.

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

Corporate name	Abbreviation
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Precision Mold Manufacturing Co., Ltd.	Precision Mold
Shenzhen Konka Electronic Co., Ltd.	Konka Electronic
Shenzhen Konka Information Network Co., Ltd.	Information Network
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Konka Housing Appliances Co., Ltd.	Housing Appliances
Shenzhen Electronic Fittings Technology Co., Ltd.	Fittings Technology
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang Appliances
Chongqing 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

Corporate name	Abbreviation
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
Shenzhen Yishijie Commercial Display Service Co., Ltd.	Yishijie Commercia
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong
Tianjin Usee Kangrong Culture Communication Co., Ltd.	Tianjin Kangrong
Anhui Jiasen Precision Science and Technology Co., Ltd.	Anhui Jiasen
Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd.	Kangqiao Jiacheng
Konka Zhisheng Co., Ltd.	Konka Zhisheng
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Shenzhen E2info Internet Science and Technology Co., Ltd.	E2info

II. Basis for the preparation of financial statements

1. Preparation basic

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 30 Jun. 2015, business results and cash flows of

Jan.–Jun. of 2015, 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 than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

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

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the “package deal” (see 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 loses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No. 2 Accounting Standard for Business Enterprises—Long-term Equity Investments or the No. 22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see note IV, 13 "long term equity investment" or 9 "financial instruments".

Where the Group loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Group loses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on

circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see note IV 13, (2) ④) and “Where the Group loses 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.

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 follow-up measurement of the tradable financial assets is by fair value, and the profits or losses formed from the changes of the fair value and the relevant dividend and interests of the financial assets should be recorded in the current gains and losses.

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
Portfolio 1:Aging group	Divide the groups according to the credit risks characteristics of the accounts receivable
Portfolio 2: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
Portfolio 1:Aging group	Aging analysis method
Portfolio 2Internal related party groups of the Company	Executes the impairment test individually and if there is no impairment, should not withdraw the bad debt provision

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

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

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

The Group made independent impairment test on receivables with insignificant amount but

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

- A. Receivables have dispute with the other parties or involving lawsuit and arbitration;
- B. Receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.

(3) Reversal of provision for bad debts

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

11. Inventory

(1) Classification

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

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

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

(2) Pricing method for outgoing inventories

Pricing method: weighted average method

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

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

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

② For the accounting policies on borrowing costs occurred for developing property, please

refer to Note IV. 17 Pricing of “Borrowing Costs”.

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

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

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

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

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

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

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

12. Long-term equity investments

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

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

(1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner’s equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of

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

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

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

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Group, the fair value of equity securities issued by the Group, the agreed value of the investment contract or

agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost. The long-term equity investment cost for those could execute significant influences on the investees because of appending the investment or could execute joint control but not form as control, should be as the sum of the fair value of the original held equity investment and the newly added investment cost recognized according to the No.22 of Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instrument.

(2) Subsequent measurement and recognition of gains or losses

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

① Long-term equity investment measured by adopting cost method

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

② Long-term equity investment measured by adopting equity method

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

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies adopted by the investees is not accord with that of the Group, should be adjusted according to the accounting policies of the Group and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the

Group and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Group according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Group and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The 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 owing to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

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

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

For those the Group lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the

fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

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

13. Investment real estates

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

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

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

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

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

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

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

14. Fixed assets

(1) Conditions for recognition of fixed assets

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

(2) Depreciation methods of each fixed asset

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

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

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

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

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

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

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

(5) Other explanations

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

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

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

15. Construction in progress

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

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

16. Borrowing costs

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

The to-be-capitalized amount of interests shall be determined in light of the actual interests incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment;

the enterprise shall calculate and determine the to-be-capitalized amount on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

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

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

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

17. Intangible assets

(1) Pricing method, useful life and impairment test

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

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

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

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

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

(2) R & D expenses

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

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

The development expenditures shall be confirmed as intangible assets when they satisfy the

following conditions simultaneously, and shall be recorded into profit or loss for the current period when they don't satisfy the following conditions.

- ① It is feasible technically to finish intangible assets for use or sale;
- ② It is intended to finish and use or sell the intangible assets;
- ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- ⑤ The development expenditures of the intangible assets can be reliably measured.

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

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

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

18. Amortization method of long-term deferred expenses

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

19. Impairment of long-term assets

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

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

of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

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

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

20. Employee compensation

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

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

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

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

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

recognition conditions of estimated liabilities.

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

21. Estimated liabilities

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

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

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

22. Revenue

(1) Revenue from selling goods

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

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

(2) Providing labor services

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

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

confirmed in a reliable way; and ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

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

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

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

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

(4) Royalty revenue

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

(5) Interest revenue

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

(6) Property leasing revenue

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

23. Government subsidies

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

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

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the

related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

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

24. Deferred income tax assets/deferred income tax liabilities

(1) Income tax of the current period

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

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

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

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

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

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

25. Leasing

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

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

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

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

The rent incomes from operating leases shall be recognized as the profits and losses of the

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

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

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

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

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

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

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

26. Changes in main accounting policies and estimates

(1) Change of accounting policies

There was no any change of accounting policies of the Company in the reporting period.

(2) Change of accounting estimates

There was no any change of accounting estimate of the Company in the reporting period.

27. Critical accounting judgments and estimates

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

estimates was likely to cause significant adjustment on the book value of the affected assets and liabilities.

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

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

(1) Categorization of leasing

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

(2) Provision for bad debts

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

(3) Provision for falling price of inventories

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

(4) The fair value of financial instrument

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

(5) 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 matters 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 the subsidiary Europe Konka of 21%, Telecommunication Technology of 17%, 6%, which see details to (3); Shushida Logistics of 11%, 6% which see details to (4)
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, Xutongda and Kunshan Kangsheng of 5%.

Category of taxes	Specific situation of the taxes rate
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, Telecommunication Technology, Precision Mould, Information Network, Chongqing Qingjia, Anhui Konka, Kunshan Konka, Dongguan Konka, Dongguan Mould and Xutongda 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) On 10 Oct. 2014, the subsidiary of the Company, Dongguan Konka acquired the certificate of high-technology enterprises joint issued by Guangdong Province Science and

Technology Department, Department of Finance of Guangdong Province, Guangdong Province Municipal Office, SAT, and Guangdong Local Taxation Bureau with the certification number of GF201444001341 and the validity of three years. According to the relevant taxation regulations, the Dongguan Konka could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years since 2014, and pay for the corporate income tax according to 15% of the preferential tax rate.

(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. Dongguan Mould Plastic had put forward the re-examination application within 3 months before the expiration of the qualification period and according to the Taxation Bureau, the corporate income tax should be repaid by 15% of the tax rate temporarily of the same year.

(9) On 26 Nov. 2012, the Company's subsidiary, Xutongda 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 GR201244000555 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. Xutongda had put forward the re-examination application within 3 months before the expiration of the qualification period and according to the Taxation Bureau, the corporate income tax should be repaid by 15% of the tax rate temporarily of the same year.

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

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

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

Unless otherwise noted, the following annotation project (including the main projects annotation of the financial statement of the Company), the period-begin refers to 1 Jan. 2015, the period-end refers to 30 Jun. 2015 and this period refers to Jan. – Jun. 2015 with the last period of Jan. – Jun. 2014.

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	193,395.85	5,118.98
Bank deposits	2,036,287,721.23	1,640,231,718.10
Other monetary funds	228,784,531.60	62,898,895.10
Total	2,265,265,648.68	1,703,135,732.18
of which: total amount deposited in overseas	329,171,417.16	149,716,988.11

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	3,230,958,057.77	3,785,443,076.37
Commercial acceptance bill	3,150,000.00	33,974,000.00
Total	3,234,108,057.77	3,819,417,076.37

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

Item	Amount
Banker's acceptance bill	1,561,200,609.03
Total	1,561,200,609.03

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

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Banker's acceptance bill	2,082,112,157.01	—
Total	2,082,112,157.01	—

Notes: Up to 30 Jun. 2015, the Company pledged the banker's acceptance bill of the book

value of RMB 1,561,200,609.03 for the comprehensive 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	96,468,109.12	3.86	10,760,574.72	11.15	85,707,534.40
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	2,374,449,981.91	95.08	256,056,289.52	10.78	2,118,393,692.39
Subtotal of groups	2,374,449,981.91	95.08	256,056,289.52	10.78	2,118,393,692.39
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	26,327,312.83	1.06	24,559,138.11	93.28	1,768,174.72
Total	2,497,245,403.86	100.00	291,376,002.35	11.67	2,205,869,401.51

(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					
Group 1: aging group	2,516,702,016.18	98.95	259,303,584.71	10.30	2,257,398,431.47
Subtotal of groups	2,516,702,016.18	98.95	259,303,584.71	10.30	2,257,398,431.47

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

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	2,052,444,568.33	41,285,518.71	2.01%
1 to 2 years	53,625,982.60	2,681,299.13	5.00%
2 to 3 years	64,156,647.90	12,831,329.58	20.00%
3 to 4 years	6,588,843.13	3,294,421.57	50.00%
4 to 5 years	3,340,438.84	1,670,219.42	50.00%
Over 5 years	194,293,501.11	194,293,501.11	100.00%
Total	2,374,449,981.91	256,056,289.52	

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

Accounts receivable (classified by units)	Year end balance			
	Accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason
Customer 1	22,031,757.12	3,056,853.89	13.87%	Had difficulty in operation
Customer 2	74,436,352.00	7,703,720.83	10.35%	Involved with lawsuit dispute
Total	96,468,109.12	10,760,574.72	—	—

③ 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
Customer 1	16,818,083.44	16,818,083.44	100.00%	Had difficulty in operation

Customer 2	5,893,915.73	4,125,741.01	70.00%	Involved with lawsuit dispute
Customer 3	1,223,622.25	1,223,622.25	100.00%	Had difficulty in operation
Customer 4	1,473,948.45	1,473,948.45	100.00%	Involved with lawsuit dispute
Customer 5	917,742.96	917,742.96	100.00%	Had difficulty in operation
Total	26,327,312.83	24,559,138.11	—	—

(2) Accounts receivable withdraw, reversed or collected of 2015

The withdrawn bad debt provision of 2015 was of RMB 15,436,953.24, the amount of the bad debt provision reversed of 2015 was of RMB 8,163,567.96 and the amount of the other decreased bad debt provision was of RMB 62,572.13

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

The total amount of the Top 5 of the closing balance of the accounts receivable collected according to the arrears party at the year-end was of RMB 741,253,745.35 that covered the proportion of 29.68% 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 14,825,074.91.

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	468,164,771.78	96.82	984,768.80	312,558,414.85	96.34	863,929.20
1 to 2 years	5,678,078.22	1.17	372,286.54	5,069,017.23	1.56	1,952,958.31
2 to 3 years	3,087,903.41	0.64	2,086,581.91	735,503.34	0.23	396,003.34
Over 3 years	6,616,503.97	1.37	6,254,404.00	6,086,092.93	1.87	6,086,092.93
Total	483,547,257.38	100.00	9,698,041.25	324,449,028.35	100.00	9,298,983.78

Notes: prepayments of significant amount and aged more than 1 year were mainly the prepayments of the purchase of the materials of RMB 4,632,126.10. Of which the amount of RMB 4,154,625.44 was the relevant materials which had quality problems and had not

handle the accounts settlement as well as the material warehousing formalities, and the materials purchase account prepaid should be presented as the prepayments.

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

The total amount of the Top 5 of the closing balance of the prepayment collected according to the prepayment target was of RMB 55,008,725.80, which was of 11.38% of the total amount of the year-end balance of the prepayments.

5. Interest receivable

Item	Closing balance	Opening balance
Fixed term deposit interest	2,841,117.19	1,885,727.36
Entrusted loan interest	70,777.76	—
Total	2,911,894.95	1,885,727.36

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 (%)	
Other accounts receivable with significant individual amount and make independent provision for bad debt	96,468,109.12	3.86	10,760,574.72	11.15	85,707,534.40
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	2,374,449,981.91	95.08	256,056,289.52	10.78	2,118,393,692.39
Subtotal of groups	2,374,449,981.91	95.08	256,056,289.52	10.78	2,118,393,692.39
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	26,327,312.83	1.06	24,559,138.11	93.28	1,768,174.72
Total	2,497,245,403.86	100.00	291,376,002.35	11.67	2,205,869,401.51

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant individual amount and make independent provision for bad debt	—	—	—	—	—
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
	2,516,702,016.18	98.95	259,303,584.71	10.30	2,257,398,431.47
	2,516,702,016.18	98.95	259,303,584.71	10.30	2,257,398,431.47
Other 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

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

Other accounts receivable (classified by units)	Period end balance			
	Other accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	5,058,104.93	27.92%	Assessment impairment
Total	18,115,952.51	5,058,104.93	27.92%	

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdraw proportion
Within 1 year	124,591,891.34	2,075,918.70	1.67%
1 to 2 years	83,319,699.60	4,165,984.98	5.00%
2 to 3 years	103,068,262.95	20,613,652.59	20.00%
3 to 4 years	2,983,005.90	1,491,502.95	50.00%

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdraw proportion
4 to 5 years	1,162,364.20	581,182.10	50.00%
Over 5 years	14,240,518.66	14,240,518.66	100.00%
Total	329,365,742.65	43,168,759.98	

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

The withdrawal amount of the bad debt provision of 2015 was of RMB 14,808,717.31, the amount of the reversed bad debt provision was of RMB 181,960.43 and the amount of the other decreased bad debt provision was of RMB 15.69.

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

Name of units	Nature	Closing balance	Aging	Proportion of the total period end balance of the accounts receivable (%)	Closing balance of bad debt provision
Customer 1	Subsidy payments of energy saving	152,402,680.00	Within 1 year, 1 to 2 years, 2 to 3 years	43.86	20,408,347.11
Customer 2	Export rebates	45,985,602.92	Within 1 year	13.23	—
Customer 3	Export rebates	3,293,340.36	Within 1 year	0.95	—
Customer 4	Margin	2,675,693.48	1 to 2 years	0.77	53,513.87
Customer 5	Margin	2,480,401.90	1 to 2 years	0.71	124,020.10
Total	—	206,837,718.66	—	59.52	20,585,881.08

7. Inventory

(1) Category

Item	Closing balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Development projects of the property:				
Development cost	460,209,261.87	708,392.08	—	460,209,261.87
Development products	152,322,883.37	2,209,218.60	—	152,322,883.37
Subtotal	612,532,145.24	2,917,610.68	—	612,532,145.24

Item	Closing balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Non-development projects of the property:				
Raw materials	1,337,323,305.38	—	328,538,622.63	1,008,784,682.75
Semi-finished product	295,369,075.62	—	167,124,682.21	128,244,393.41
Inventory goods	2,246,678,711.92	—	251,721,490.43	1,994,957,221.49
Turnover material	1,286,277.85	—	—	1,286,277.85
Subtotal	3,880,657,370.77	—	747,384,795.27	3,133,272,575.50
Total	4,493,189,516.01	2,917,610.68	747,384,795.27	3,745,804,720.74

(Continued)

Item	Opening balance			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Development projects of the property:				
Development cost	433,431,258.26	708,392.08	—	433,431,258.26
Development products	184,288,149.21	4,786,589.71	—	184,288,149.21
Subtotal	617,719,407.47	5,494,981.79	—	617,719,407.47
Non-development projects of the property:				
Raw materials	1,299,997,072.71	—	331,916,902.96	968,080,169.75
Semi-finished product	384,479,782.98	—	174,801,078.20	209,678,704.78
Inventory goods	2,347,967,769.03	—	239,864,738.09	2,108,103,030.94
Turnover material	854,937.39	—	—	854,937.39
Subtotal	4,033,299,562.11	—	746,582,719.25	3,286,716,842.86
Total	4,651,018,969.58	5,494,981.79	746,582,719.25	3,904,436,250.33

(2) List of the development cost

Name of the projects	Starting time	Expected completion time of the next batch	Opening balance	Closing balance
Shuiyue Zhouzhuang Project	Y2011	Completion by stages	433,431,258.26	459,374,652.87
Kangqiao Jiacheng	Undetermined	Undetermined	—	834,609.00
Total			433,431,258.26	460,209,261.87

(3) List of the developed products

Name of the projects	Completion time	Opening balance	Increased	Decreased	Closing balance
Shuiyue Zhouzhuang (Phase I Residence)	Y2014	184,288,149.21	—	31,965,265.84	152,322,883.37
Total		184,288,149.21	—	31,965,265.84	152,322,883.37

(4) Impairment of inventories

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse	Write-off	
Raw materials	331,916,902.96	9,235,365.55	—	9,856,169.31	2,757,476.57	328,538,622.63
Semi-finished product	174,801,078.20	839,307.46	—	3,829,830.40	4,685,873.05	167,124,682.21
Inventory goods	239,864,738.09	23,700,492.32	—	7,271,104.77	4,572,635.21	251,721,490.43
Total	746,582,719.25	33,775,165.33	—	20,957,104.48	12,015,984.83	747,384,795.27

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

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

Item	Specific basis of the withdrawal of the falling price provision of inventory	Reasons of writing off the falling price provision of the inventory
	cost	period
Turnover materials	The realizable net value was lower than the inventory cost	Disposed in the current period

8. Other current assets

Item	Closing balance	Opening balance
Prepayments and deductible taxes	268,508,306.22	311,200,708.77
Entrust loans	50,000,000.00	50,000,000.00
Financial products	1,000,000.00	500,000.00
Unreached bank deposits	—	206,319,491.71
Total	319,508,306.22	568,020,200.48

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	308,503,378.07	2,693,406.87	305,809,971.20	247,799,748.07	2,766,139.07	245,033,609.00
Of which: measured by fair value	2,405,378.07	608,406.87	1,796,971.20	2,311,748.07	681,139.07	1,630,609.00
Measured by cost	306,098,000.00	2,085,000.00	304,013,000.00	245,488,000.00	2,085,000.00	243,403,000.00
Total	308,503,378.07	2,693,406.87	305,809,971.20	247,799,748.07	2,766,139.07	245,033,609.00

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

Category of available-for-sale financial assets	Available-for-sale equity instruments
Cost of the equity instruments	2,405,378.07
Fair value	1,796,971.20
Change amount of the fair value accumulatively included in the other comprehensive income	805,841.90
Withdrawn impairment amount	608,406.87

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

Investee	Book balance			
	Period -begin	Increase	Decrease	Period -end
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	6,000,000.00	6,000,000.00	—	12,000,000.00
Shenzhen Tianyilian Science & Technology Co., Ltd.	4,800,000.00	—	—	4,800,000.00
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	9,500,000.00	—	—	9,500,000.00
Shenzhen A Dot TV Co., Ltd.	5,750,000.00	—	—	5,750,000.00
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00
ZAEFI	100,000.00	—	—	100,000.00
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00	—	—	485,000.00
Shanlian Information Technology Engineering Center	5,000,000.00	—	—	5,000,000.00
Shenzhen CIU Science & Technology Co., Ltd.	1,153,000.00	—	—	1,153,000.00
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	6,000,000.00	—	—	6,000,000.00
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	2,400,000.00	—	—	2,400,000.00
ChinaAMC - Jiayi Overseas Orientation Programs	203,000,000.00	—	—	203,000,000.00
Hunan Vary Science & Technology Co., Ltd.	—	47,230,000.00	—	47,230,000.00
Nobel Education Investment Development Co., Ltd.	—	7,380,000.00	—	7,380,000.00
Total	245,488,000.00	60,610,000.00	—	306,098,000.00

(Continued)

Investees	Book balance				Shareholding proportion among the investees (%)	Cash bonus of the reporting period
	Period -begin	Increase	Decrease	Period -end		
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	—	—	—	—	6.00	—

Shenzhen Tianyilian Science & Technology Co., Ltd.	—	—	—	—	7.68	—
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—	—	—	—	19.33	—
Shenzhen A Dot TV Co., Ltd.	—	—	—	—	9.58	—
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	—	—	—	—	9.62	—
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	—	—	—	—	—	2,153,880.21
Hunan Vary Science & Technology Co., Ltd.	—	—	—	—	10.04	—
Nobel Education Investment Development Co., Ltd.	—	—	—	—	14.76	—
Total	2,085,000.00	—	—	2,085,000.00	—	2,153,880.21

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

Category of available-for-sale financial assets	Available-for-sale equity instruments
---	---------------------------------------

Withdrawn impairment balance at the period-begin	2,766,139.07
Withdrawal of the reporting period	—
Of which: transferred from other comprehensive income	—
Decrease of the reporting period	72,732.20
Of which: recovered or reversed from the fair value after the period	72,732.20
Withdrawn impairment balance at the period-end	2,693,406.87

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
I. Associated enterprises:						
Shenzhen Refund Optoelectronics Co., Ltd.	43,425,481.67	—	—	1,564,853.96	—	—
Enraytek Optoelectronics Co., Ltd.	110,793,944.21	—	—	-5,038,950.02	—	2,473,680.66
Shenzhen Konka Energy Technology Co., Ltd.	3,649,728.08	—	—	—	—	—
Shanghai Konka Green Science & Technology Co., Ltd.	197,758,604.87	—	—	-1,798,656.54	—	—
Shenzhen Dekang Electronics Co., Ltd.	7,137,424.83	—	—	—	—	—
Zhuhai Jinsu Plastic Co., Ltd.	—	6,210,000.00	—	116,347.78	—	—
Total	362,765,183.66	6,210,000.00	—	-5,156,404.82	—	2,473,680.66

(Continued)

Investee entity	Increase/ decrease			Closing balance	Closing balance of impairment provision
	Declaration of cash dividend or profits	Withdraw bad debt provision	Other		

Associated enterprises:					
Shenzhen Refund Optoelectronics Co., Ltd.	1,487,448.32	—	—	43,502,887.31	—
Enraytek Optoelectronics Co., Ltd.	—	—	—	108,228,674.85	—
Shenzhen Konka Energy Technology Co., Ltd.	—	—	—	3,649,728.08	—
Shanghai Konka Green Science & Technology Co., Ltd.	—	—	—	195,959,948.33	—
Shenzhen Dekang Electronics Co., Ltd.	—	—	—	7,137,424.83	—
Zhuhai Jinsu Plastic Co., Ltd.	—	—	—	6,326,347.78	—
Total	1,487,448.32	—	—	364,805,011.18	—

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	249,923,047.75	—	—	249,923,047.75
2. Increased amount of the period	—	—	—	—
3. Decreased amount of the period	—	—	—	—
4. Closing balance	249,923,047.75	—	—	249,923,047.75
II. The accumulative depreciation and accumulative amortization				
1. Opening balance	16,573,594.95	—	—	16,573,594.95
2. Increased amount of the period	2,815,637.15	—	—	2,815,637.15
(1) withdraw or amortization	2,815,637.15	—	—	2,815,637.15
3. Decreased amount of the period	—	—	—	—
4. Closing balance	19,389,232.10	—	—	19,389,232.10
III. Impairment provision				

Item	Houses and buildings	Land use right	construction in progress	Total
1. Opening balance	—	—	—	—
2. Increased amount of the period	—	—	—	—
3. Decreased amount of the period	—	—	—	—
4. Closing balance	—	—	—	—
IV. book value				
1. Closing book value	230,533,815.65	—	—	230,533,815.65
2. Opening book value	233,349,452.80	—	—	233,349,452.80

(2) Amount and reason of the investment property failed to accomplish certification of property

Item	Book value	Reason
R&D mansion	230,533,815.65	Under processing

12. Fixed assets

(1) List of fixed assets

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
I. Original book value						
1. Opening balance	1,666,832,339.28	1,025,362,549.65	252,641,100.35	74,244,036.50	214,920,840.16	3,234,000,865.94
2. Increased amount of the period	10,842,538.20	19,773,855.93	9,251,172.29	2,367,502.55	7,818,858.18	50,053,927.15
(1) Purchase	3,437,909.80	16,899,072.96	9,251,172.29	2,367,502.55	6,985,653.01	38,941,310.61
(2) Transfer of project under construction	7,404,628.40	2,874,782.97	—	—	833,205.17	11,112,616.54
3. Decreased amount of the period	406,000.00	2,785,524.10	4,018,081.84	4,170,226.32	4,737,776.34	16,117,608.60
(1) Disposal or Scrap	406,000.00	2,785,524.10	4,018,081.84	4,170,226.32	4,737,776.34	16,117,608.60
4. Closing balance	1,677,268,877.48	1,042,350,881.48	257,874,190.80	72,441,312.73	218,001,922.00	3,267,937,184.49
II. Accumulated depreciation						
1. Opening 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
2. Increased amount of the period	18,867,945.47	29,064,593.42	7,730,493.37	3,506,444.41	10,052,034.41	69,221,511.08

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
(1) Withdrawal	18,867,945.47	29,064,593.42	7,730,493.37	3,506,444.41	10,052,034.41	69,221,511.08
3. Decreased amount of the end of period	362,355.00	2,308,061.19	3,592,287.90	3,559,382.97	4,365,248.67	14,187,335.73
(1) Disposal or Scrap	362,355.00	2,308,061.19	3,592,287.90	3,559,382.97	4,365,248.67	14,187,335.73
4. Closing balance	419,932,574.22	617,681,897.16	205,499,904.32	52,450,122.15	146,465,818.77	1,442,030,316.62
III. Impairment provision						
1. Opening balance	53,124,316.45	6,198,654.13	1,628,053.45	899,230.59	1,458,921.13	63,309,175.75
2. Increased amount of the period	—	1,686,990.03	883,949.90	9,190.00	46,896.25	2,627,026.18
(1) Withdrawal	—	1,686,990.03	883,949.90	9,190.00	46,896.25	2,627,026.18
3. Decreased amount of the period	—	—	—	—	—	—
4. Closing balance	53,124,316.45	7,885,644.16	2,512,003.35	908,420.59	1,505,817.38	65,936,201.93
IV. book value						
1. Closing book value	1,204,211,986.81	416,783,340.16	49,862,283.13	19,082,769.99	70,030,285.85	1,759,970,665.94
2. Opening 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

Notes: As of 30 Jun. 2015, 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	484,642.84	211,620.12	—	273,022.72	
Vehicles	—	—	—	0.00	
Electronic equipments	17,666,176.14	15,899,558.53	882,441.82	884,175.79	
Other equipments	418,337.25	376,503.53	20,916.86	20,916.86	

Total	22,853,330.13	18,945,751.76	903,358.68	3,004,219.69	
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(3) Fixed assets leased in from financing lease

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Mechanical equipments	5,526,681.05	989,119.92	—	4,537,561.13

(4) Fixed assets leased out from operation lease

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

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

Item	Book value	Reason
R&D mansion	264,692,309.43	Under processing
Yikang building of Group headquarter	49,186,516.19	Has not obtained the state-owned land uses card, can not to deal with house property card
Kangsheng Aquatic Club	21,760,035.74	Under processing
Jingyuan office building	12,950,435.07	Certificate is under processing
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 Pang river street, Big East District, Shenyang	9,542,222.22	Under processing
Chancheng District of Foshan	4,897,335.26	Under processing
Office building of Linxiu New Town, Urumchi	3,911,275.16	Under processing
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

13. Construction in progress**(1) List of construction in progress**

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Kunshan hotel	64,365,430.88	—	64,365,430.88	55,896,269.73	—	55,896,269.73
Kunshan gallery	1,643,881.07	—	1,643,881.07	1,643,881.07	—	1,643,881.07
Kunshan Jielunte new factory	36,511,599.51	—	36,511,599.51	29,459,670.93	—	29,459,670.93

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Wuhan Jielunte factory construction	28,333,853.73	—	28,333,853.73	18,304,006.73	—	18,304,006.73
Canteen project of the Tongchuang Industrial Park	3,206,801.60	—	3,206,801.60	—	—	—
Project to be installed	169,559.78	—	169,559.78	873,065.82	—	873,065.82
Other small projects	61,697,369.27	—	61,697,369.27	53,427,989.81	—	53,427,989.81
Total	195,928,495.84	—	195,928,495.84	159,604,884.09	—	159,604,884.09

(2) Changes of significant construction in progress

Name of 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	55,896,269.73	8,469,161.15	—	—	64,365,430.88
Kunshan gallery	26,320,000.00	1,643,881.07	—	—	—	1,643,881.07
Kunshan Jielunte new factory	36,550,000.00	29,459,670.93	7,051,928.58	—	—	36,511,599.51
Wuhan Jielunte factory construction	40,000,000.00	18,304,006.73	10,029,847.00	—	—	28,333,853.73
Canteen project of the Tongchuang Industrial Park	4,186,655.78	—	3,206,801.60	—	—	3,206,801.60
Project to be installed	3,075,000.00	873,065.82	358,974.36	1,062,480.40	—	169,559.78
Other small projects	—	53,427,989.81	25,029,421.29	10,050,136.14	6,709,905.69	61,697,369.27
Total	551,731,655.78	159,604,884.09	54,146,133.98	11,112,616.54	6,709,905.69	195,928,495.84

(Continued)

Name of 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
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Name of 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	14.58	34.00	810,165.16	—	—	Financial institutions loans and self own funds
Kunshan gallery	6.25	—	—	—	—	Self own funds
Kunshan Jielunte new factory	98.00	98.00	1,181,842.26	579,583.49	6.72	Financial institutions loans and self own funds
Wuhan Jielunte factory construction	70.83	70.83	—	—	—	Self own funds
Canteen project of the Tongchuang Industrial Park	76.60	76.60	—	—	—	Self own funds
Project to be installed	11.67	11.67	—	—	—	Self own funds

Notes: the other decrease of the construction in progress was the intangible assets transferred from the software development of the Group.

14. Intangible assets

(1) Information

Item	Land use right	Patent	Trademark registration expense	Other	Total
I. Original book value					
1. Opening balance	366,197,934.11	40,139,739.88	3,519,159.61	30,062,433.23	439,919,266.83
2. Increased amount of the period	—	25,709.40	—	13,110,758.31	13,136,467.71
(1) Purchase	—	25,709.40	—	13,110,758.31	13,136,467.71
3. Decrease in reporting period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
(2) Other	—	—	—	—	—

Item	Land use right	Patent	Trademark registration expense	Other	Total
4. Closing balance	366,197,934.11	40,165,449.28	3,519,159.61	43,173,191.54	453,055,734.54
II. Accumulated amortization					
1. Opening balance	40,380,243.37	32,123,987.40	3,364,176.89	13,523,645.98	89,392,053.64
2. Increased amount of the period	4,046,082.72	422,180.61	21,213.73	1,624,582.47	6,114,059.53
(1) Withdrawal	4,046,082.72	422,180.61	21,213.73	1,624,582.47	6,114,059.53
3 .Decrease in reporting period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
(2) Other	—	—	—	—	—
4. Closing balance	44,426,326.09	32,546,168.01	3,385,390.62	15,148,228.45	95,506,113.17
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	321,771,608.02	4,718,198.66	133,768.99	28,024,963.09	354,648,538.76
2. Opening book value	325,817,690.74	5,114,669.87	154,982.72	16,538,787.25	347,626,130.58

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

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

Item	Book value	Reason
etc.		

(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 79,197,475.64 which was pledged for long term loan of RMB 63,876,957.13.

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	
Anhui Konka	3,597,657.15	—	—	—	—	3,597,657.15
Total	3,597,657.15	—	—	—	—	3,597,657.15

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

(3) As of 30 Jun. 2015, 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	9,557,434.43	3,465,448.27	1,793,422.53	—	11,229,460.17
Advertising expense	10,280,675.07	24,240,688.71	6,596,617.24	261,027.80	27,663,718.74
Other	5,954,695.56	8,017,880.51	2,223,032.87	5,516.40	11,744,026.80
Total	25,792,805.06	35,724,017.49	10,613,072.64	266,544.20	50,637,205.71

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 provision	705,989,350.84	174,445,450.49	680,584,889.73	168,852,965.21
Unrealized profits	32,736,868.12	8,184,217.03	45,585,627.57	11,396,406.89

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
internal transaction				
Accrued expenses	80,640,095.89	20,068,125.82	92,847,148.47	23,119,888.96
Deferred income	92,848,868.87	22,174,573.22	91,852,218.96	21,845,806.74
Deductible losses	405,772,588.06	95,432,156.48	137,205,313.83	34,301,328.46
Total	-44,500.00	-8,863.50	—	—

(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	9,540,354.13	1,431,053.12	6,996,658.49	1,049,498.77
Payroll payable	23,840,114.88	5,960,028.72	—	—
Total	33,380,469.01	7,391,081.84	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
Deductible temporary difference	497,009,282.95	416,383,521.99
Deductible losses	567,662,571.04	525,234,499.08
Total	1,064,671,853.99	941,618,021.07

18. Other non-current assets

Item	Closing balance	Opening balance
Prepaid land funds	—	488,063,979.00
Total	—	488,063,979.00

19. List of the assets impairment provision

Item	Opening balance	Withdrawal	Decrease		Closing balance
			Reverse	Write-off	
I. Bad debt provision	327,064,296.70	30,679,723.63	8,380,357.75	62,754.07	349,300,908.51

Item	Opening balance	Withdrawal	Decrease		Closing balance
II. Falling price provision of the inventory	746,582,719.25	33,775,165.33	20,957,104.48	12,015,984.83	747,384,795.27
II. Impairment provision of the available-for-sale financial assets	2,766,139.07	—	72,732.20	—	2,693,406.87
IV. Impairment provision of the fixed assets	63,309,175.75	2,627,026.18	—	—	65,936,201.93
V. Impairment provision of the intangible assets	2,901,082.61	—	—	—	2,901,082.61
Total	1,142,623,413.38	67,081,915.14	29,410,194.43	12,078,738.90	1,168,216,395.19

20. Short term loan

Item	Closing balance	Opening balance
Pledge loan	66,206,000.00	10,000,000.00
Mortgage	—	—
Guaranteed loan	1,588,476,154.34	1,563,972,365.24
Credit loan	3,884,814,053.34	3,571,740,071.67
Total	5,539,496,207.68	5,145,712,436.91

Notes: The account receivable of book balance of Dongguan Mould Plastic of RMB 6,343,657.52 was pledged for a loan of RMB 5.07 million in 2015.

The company's order book balance is RMB 10,338,200.40 accounts receivable as collateral obtained loans RMB 10,000,000.00 .

21. Notes payable

Category	Closing balance	Opening balance
Trade acceptance	—	6,855,587.12
Bank acceptance bill	1,069,722,035.13	904,499,441.35
Total	1,069,722,035.13	911,355,028.47

Notes: RMB 1,069,722,035.13 will be due in next fiscal period.

22. Accounts payable

(1) List of accounts payable

Item	Closing balance	Opening balance
Purchase amount	2,508,417,420.54	3,112,052,230.19
Of which: purchase of goods	1,488,331,968.56	1,960,053,333.31
Purchase of the fixed assets	591,376,251.32	447,212,376.57
Manufacturing consignment	404,241,071.48	660,894,770.74
Auxiliary material amount of the raw materials	23,086,896.54	42,213,874.59
Project funds	1,381,232.64	1,677,874.98
Freight	197,581.40	169,230.00
Other	74,225,875.12	32,186,973.74
Total	2,582,840,877.06	3,144,408,433.93

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

Name of creditor	Amount	Unpaid/carry-over reason
Interior decoration	15,911,043.38	Unsettled
Exterior components	5,038,769.40	Unsettled
Building projects	2,902,005.96	Unsettled
Installation project	1,499,564.98	Unsettled
Three major equipments	801,445.61	Unsettled
Exterior wall project	559,067.17	Unsettled
Survey and design expense	339,041.60	Unsettled
Total	27,050,938.10	

23. Advance from customers

(1) List of advance from customers

Item	Closing balance	Opening balance
Within 1 year	379,157,521.64	275,288,665.86
1 to 2 years	9,269,842.38	11,520,332.44
2 to 3 years	5,506,594.29	1,574,348.73
Over 3 years	8,933,178.65	14,521,106.83
Total	402,867,136.96	302,904,453.86

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

24. Payroll payable

(1) List of Payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	296,701,946.79	758,267,558.67	843,112,693.92	211,856,811.54
II. Post-employment benefit-defined contribution plans	2,562,794.26	69,434,462.31	68,880,549.62	3,116,706.95
III. Termination benefits	7,974.00	2,920,473.92	2,895,473.92	32,974.00
IV. Other benefits due within one year	—	—	—	—
Total	299,272,715.05	830,622,494.90	914,888,717.46	215,006,492.49

(2) List of Short-term salary

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	288,171,641.38	669,740,080.46	764,174,297.24	193,737,424.60
2. Employee welfare	1,111,472.13	35,511,277.79	29,068,920.35	7,553,829.57
3. Social insurance	1,526,026.37	28,263,624.00	27,859,969.16	1,929,681.21
Including: Medical insurance premiums	1,285,679.34	23,568,682.49	23,347,527.18	1,506,834.65
Work-related injury insurance	91,233.21	2,620,220.21	2,575,245.32	136,208.10
Maternity insurance	149,113.82	2,074,721.30	1,937,196.66	286,638.46
4. Housing fund	1,504,548.35	15,523,470.12	15,005,953.17	2,022,065.30
5. Labor union budget and employee education budget	4,388,258.56	9,229,106.30	7,003,554.00	6,613,810.86
6. Short-term absence with payment	—	—	—	—
7. Short-term profit sharing plan	—	—	—	—
8. Other	—	—	—	—
Total	296,701,946.79	758,267,558.67	843,112,693.92	211,856,811.54

(3) List of defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance	2,437,546.24	65,492,118.67	65,173,675.36	2,755,989.55
2. Unemployment insurance	125,248.02	3,940,807.59	3,705,338.21	360,717.40

Item	Opening balance	Increase	Decrease	Closing balance
3.Enterprise annuity payment	—	1,536.05	1,536.05	-
Total	2,562,794.26	69,434,462.31	68,880,549.62	3,116,706.95

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.

25. Taxes payable

Item	Closing balance	Opening balance
VAT	21,490,744.58	24,559,393.58
Corporate income tax	2,230,849.62	42,937,116.01
Business tax	1,865,941.85	1,680,131.18
Urban maintenance and construction tax	1,316,749.19	801,349.04
Personal income tax	3,803,864.36	4,086,658.32
Education surtax	829,317.16	548,155.02
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	2,957,434.46	2,220,266.89
Fund for disposing abandoned appliances and electronic products	17,251,061.00	21,403,104.00
Land value increment tax	20,303,337.68	14,320,831.81
Other	72,049,299.90	112,557,005.85
Total	21,490,744.58	24,559,393.58

26. Interest payable

Item	Closing balance	Opening balance
Loan interests	32,580,621.62	22,872,418.43
Total	32,580,621.62	22,872,418.43

27. Dividend payable

Item	Closing balance	Opening balance
Dividend of common shares	12,039,727.04	—
Total	12,039,727.04	—

28. Other accounts payable

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

Item	Closing balance	Opening balance
Accrued expenses	752,403,594.47	862,532,739.03
Guarantee	214,784,521.82	253,375,271.47
Turnover amount	130,157,295.95	100,800,186.16
Payment made on behalf	30,784,395.76	50,527,321.48
Other	133,705,899.99	109,567,862.89
Total	1,261,835,707.99	1,376,803,381.03

(2) Other significant accounts payable with aging over 1 year

Item	Closing balance	Unpaid/ Un-carry-over reason
Shanghai Shensy Logistics Co., Ltd.	3,800,000.00	Guarantee money
Shanghai Yongxin Color CRT Ltd. Co., Ltd.	2,075,485.15	Guarantee money
Ningbo Huacai Electric Appliance Co., Ltd.	3,591,041.94	Guarantee money of operation
Zhenhua Group (Kunshan) Construction Engineering Co., Ltd.	10,350,000.00	Guarantee money of project
Nantong Xinhua Construction Group Co., Ltd.	5,000,000.00	Guarantee money of project
Total	24,816,527.09	

29. Non-current liabilities due within 1 year

Item	Closing balance	Opening balance
Long-term payable due within 1 year (Notes 31, VI)	796,757.13	1,525,465.53
Total	796,757.13	1,525,465.53

30. Long-term loan

Item	Closing balance	Opening balance
Mortgage loan	63,876,957.13	51,976,957.13
Credit loan	614,234,305.73	905,564,253.39
Less: Long-term loan due within 1 year (Notes 29, VI)	678,111,262.86	957,541,210.52

Notes: the mortgage asset category and amount of mortgage loan see Notes 51.

31. Long-term payables

Item	Closing balance	Opening balance
Chuzhou Tongchuang Jianshe Investment Co., Ltd.	30,000,000.00	30,000,000.00

Item	Closing balance	Opening balance
Accrued financial lease outlay	930,685.33	1,555,455.63
Less: due within 1 year (Notes 29, VI)	796,757.13	1,525,465.53
Total	30,133,928.20	30,029,990.10

32. 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	26,256,521.15	28,554,734.16
II. Dismission welfare	—	—
III. Other long term welfare	—	—
Total	26,256,521.15	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	28,554,734.16	—
II. Defined benefit cost recorded into current profits and losses	—	28,554,734.16
1. Current service cost	—	5,140,521.34
2. Previous service cost	—	23,200,807.83
3. Settlement gains (loss “—”)	—	—
4. Net interest	—	213,404.99
III. Other changes		
1. Consideration of settlement of payment	—	—
2. Welfare had paid	2,298,213.01	—
III. Closing balance	26,256,521.15	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, the internal retire employee in line with the time length to mandatory age for retirement, which are classified as three classes, conducted relevant standard of retirement pensions
2. Internal early retirement pensions include social insurance and housing provident funds borne by individuals. The age is subject to that recorded in personnel archives.
3. Seniority subsidies for internal early retirement are classified as four classes in line with the time length of working age, of which, working age is calculated on an annualized basis.
4. Voluntary early retirement should be applied by individuals and approved by the leaders of Communication Technology and the Group. During the period of early retirement, management of the employees is responsible by the Company.

The accumulative compensation paid to the internal early retirement pensions in future year is RMB 34,931,714.55, the Company in line with Agreement of Internal Early Retirement Pension, in line with the standard of salary remaining the same, turnover rate of 0, the mortality rate of, fix standard of social security base payment remaining the same to test the present worth of defined benefit plans. The actual payment for the employee is influence by the actual turnover rate, death rate and the changes of minimum cardinality of social security.

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%	—

33. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Public subsidy	147,315,999.02	13,560,000.00	12,944,347.31	147,931,651.71	Amortization

Total	147,315,999.02	13,560,000.00	12,944,347.31	147,931,651.71	
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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)	4,400,000.00	—	1,200,000.00	—	3,200,000.00	Related to the assets
R&D and industrialization of integrated module of flat TV set	1,725,000.00	—	450,000.00	—	1,275,000.00	Related to the assets
R&D and industrialization of integrated DTMB	2,869,999.89	—	820,000.02	—	2,049,999.87	Related to the assets
Fund for flat panel display industry in year 2008	6,499,999.94	—	1,000,000.02	—	5,499,999.92	Related to the assets
Key technology and industrialization of LED Backlight of flat TV set	4,750,000.01	—	499,999.98	—	4,250,000.03	Related to the assets
R&D of mating core chip based on the terminal of AVS/DRA	5,620,000.00	—	—	—	5,620,000.00	Related to the assets
R&D and industrialization of new-type smart television with man-machine interaction	5,256,893.21	—	—	—	5,256,893.21	Related to the assets
R&D and industrialization of new-type terminal application service system of internet	2,050,000.00	—	300,000.00	—	1,750,000.00	Related to the assets
Subsidies for supporting equipment of liquid crystal module project	17,550,000.00	—	1,755,000.00	—	15,795,000.00	Related to the assets
Funds for scientific and technological innovation and special guidance of achievements transfer	3,000,000.00	—	260,869.56	—	2,739,130.44	Related to the assets
Special Fund of Strategic Emerging Industry Development of Dongguan Financial Bureau (High-End New Electronic	4,200,000.00	—	300,000.00	—	3,900,000.00	Related to the assets

Information)						
R&D and industrialization of large size liquid crystal display module	3,600,000.00	—	1,200,000.00	—	2,400,000.00	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	2,470,000.00	—	—	—	2,470,000.00	Related to the assets
Supporting triple play smart TV and system support platform	2,000,000.00	—	—	—	2,000,000.00	Related to the assets
Supporting the next generation Internet intelligent terminal system research projects	8,508,737.85	—	—	600,000.00	7,908,737.85	Related to the assets
Smart TV industry chain of Konka Group Co., Ltd.	12,800,000.00	—	—	—	12,800,000.00	Related to the assets
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	2,259,541.37	—	—	—	2,259,541.37	Related to the assets
2010-2012 provincial finance's supporting matching fund for industrial technology progress project	2,940,000.00	—	100,000.02	—	2,839,999.98	Related to the assets
Machine module integration subsidy	2,775,000.00	—	150,000.00	—	2,625,000.00	Related to the assets
Research instruments subsidies	2,068,933.33	—	210,400.02	—	1,858,533.31	Related to the assets
Supporting the research and development and	2,600,000.00	—	—	—	2,600,000.00	Related to the assets

industrialization of synergy internet-connected digital products						
Satellite receiving facilities of the chip based on the safe and reliable ground	—	1,000,000.00	—	—	1,000,000.00	Related to the assets
Konka next generation multimedia terminal technology engineering laboratory project	—	5,000,000.00	—	—	5,000,000.00	Related to the assets
Konka R&D building Circular economy and energy-saving emission reduction projects	—	1,560,000.00	78,000.00	—	1,482,000.00	Related to the assets
Lean manufacturing execution system comprehensive integrated innovation projects	—	2,000,000.00	—	—	2,000,000.00	Related to the assets
Mobile intelligent terminal new application service system	—	4,000,000.00	—	—	4,000,000.00	Related to the assets
Other	19,421,588.06	—	2,015,350.08	—	17,406,237.98	Related to the assets
Subtotal	135,745,693.66	13,560,000.00	10,339,619.70	600,000.00	138,366,073.96	
Other	11,570,305.36	—	2,004,535.37	192.24	9,565,577.75	Related to the income
Subtotal	11,570,305.36	—	2,004,535.37	192.24	9,565,577.75	
Total	147,315,999.02	13,560,000.00	12,344,155.07	600,192.24	147,931,651.71	

34. Share capital

Item	Opening balance	Increase/decrease (+/-)					Closing balance
		Issuing new shares	Bonus shares	Capitalization of public reserves	Other	Subtotal	
Total shares	1,203,972,704.00	—	—	—	—	—	1,203,972,704.00

35. 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	78,037,481.44	2,473,680.66	—	80,511,162.10
Total	1,289,403,563.99	2,473,680.66	—	1,291,877,244.65

36. 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 not 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 and loss in future	—	—	—	—	—	—	—
Profits or losses in fair value of available for sale assets	516,457.28	117,232.20	—	27,046.55	90,185.65	—	606,642.93
Converted amount of	15,655,020.63	1,042,317.66	—	—	674,846.89	367,470.77	16,329,867.52

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	
foreign currency financial statements							
Total other comprehensive income	16,171,477.91	1,159,549.86	—	27,046.55	765,032.54	367,470.77	16,936,510.45

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

37. Surplus reserves

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

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

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

38. Retained profits

Item	2015	2014
Opening balance of retained profits before adjustments	746,022,758.89	737,991,722.40
Total opening balance of retained profits before adjustments (increase+, decrease -)	—	-32,552,764.33
Opening balance of retained profits after adjustments	746,022,758.89	705,438,958.07
Add: Net profit attributable to owners of the Company	-296,953,507.39	52,623,527.86
Less: Withdrawal of statutory surplus reserves	—	—
Withdrawal of discretionary 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	437,029,524.46	746,022,758.89

Notes: The company was held on May 28, 2015 2014 annual consideration by the General Assembly, Scenarios are as follows: Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2014, 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.

39. Revenue and Cost of Sales

(1) Revenue, Cost of Sales

Item	Reporting period		Same period of last year	
	Revenue	Cost	Revenue	Cost
Main operation	8,246,299,638.18	7,161,672,404.62	8,282,878,605.00	6,948,228,513.04
Other operation	698,259,282.78	629,543,395.95	107,189,090.48	55,561,800.01
Total	8,944,558,920.96	7,791,215,800.57	8,390,067,695.48	7,003,790,313.05

(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	8,246,299,638.18	7,161,672,404.62	8,282,878,605.00	6,948,228,513.04
Total	8,246,299,638.18	7,161,672,404.62	8,282,878,605.00	6,948,228,513.04

(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	5,839,273,101.30	4,998,980,729.53	6,169,494,584.43	5,078,493,060.56
Mobile phone business	405,882,081.01	394,112,904.23	772,672,737.46	711,453,764.98
Consumer appliances business	828,393,555.30	650,002,713.45	790,777,396.77	635,004,533.66
Other	1,172,750,900.57	1,118,576,057.41	549,933,886.34	523,277,153.84
Total	8,246,299,638.18	7,161,672,404.62	8,282,878,605.00	6,948,228,513.04

(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	4,807,213,043.19	3,897,064,692.75	5,918,248,976.50	4,769,500,437.16
Overseas sales	3,439,086,594.99	3,264,607,711.87	2,364,629,628.50	2,178,728,075.88
Total	8,246,299,638.18	7,161,672,404.62	8,282,878,605.00	6,948,228,513.04

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

Period	Main business revenue	Proportion of total business revenue (%)
Jan-Jun. 2015	1,682,516,602.23	18.81
Jan-Jun. 2014	1,798,840,882.33	21.44

40. Business tax and surcharges

Item	Reporting period	Same period of last year
Business tax	5,496,133.92	4,042,401.68
Urban maintenance and construction tax	12,849,394.39	13,301,151.47
Education surtax	6,391,442.89	5,999,432.21
Local education surtax	3,641,622.06	3,710,591.73
Other	331,413.41	192,204.40
Total	28,710,006.67	27,245,781.49

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

41. Sales expenses

Item	Reporting period	Same period of last year
Promotional activities	332,857,088.15	359,141,687.30
Warranty fee	174,049,619.44	142,074,650.38
Logistic Fee	168,134,586.26	141,945,921.72
Remuneration	155,114,369.05	151,749,324.64
Advertising	119,606,305.71	171,880,170.75
Social security charges	20,877,888.67	20,712,564.48
Business travel charges	18,327,672.91	23,423,793.92
Rental fees	14,363,429.92	22,047,847.15
Business entertainment expense	13,263,180.79	17,250,259.42
Exhibition fee	11,618,648.04	6,003,547.40
Other	96,476,161.41	99,638,593.69
Total	1,124,688,950.35	1,155,868,360.85

42. Administration expense

Item	Reporting period	Same period of last year
R & D expenses	104,617,216.07	104,169,480.26
Payroll	67,908,610.15	72,840,329.19

Item	Reporting period	Same period of last year
Depreciation expense	18,202,729.34	19,008,083.68
Taxes and fund	17,552,634.06	12,860,882.54
Social security charges	10,056,569.85	11,040,465.30
Business entertainment expense	8,726,615.59	10,104,937.16
Employees welfare cost	8,059,767.37	7,614,581.68
Consulting fees	5,633,366.65	3,781,502.23
Business travel charges	5,429,742.03	6,680,915.98
Labor union expenditure	4,966,713.86	5,643,131.66
Other	41,084,938.74	50,698,132.70
Total	292,238,903.71	304,442,442.38

43. Financial expenses

Item	Reporting period	Same period of last year
Interest expense	82,012,379.10	70,399,881.34
Less: Interest income	25,280,539.71	29,053,882.16
Gains or losses on exchange	39,133,044.16	58,538,407.94
Other	3,202,027.62	1,976,370.12
Total	99,066,911.17	101,860,777.24

44. Asset impairment loss

Item	Reporting period	Same period of last year
Bad debt loss	22,299,365.88	-2,061,447.86
Inventory falling price loss	12,818,060.85	37,500,606.06
Fixed assets impairment losses	2,627,026.18	164,794.58
Total	37,744,452.91	35,603,952.78

45. Investment income

Item	Reporting period	Same period of last year
Long-term equity investment measured by equity method	-5,017,326.85	1,720,001.40
Investment income from the disposal of long-term equity investment	—	262,454,090.34
Investment income from available for sale financial assets in holding period	2,153,880.21	48,104.52

Item	Reporting period	Same period of last year
Income from trust management	10,048,900.77	2,217,922.37
Total	7,185,454.13	266,440,118.63

46. Non-operating gains

Item	2015	2014	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	140,774.90	160,385.54	140,774.90
Including: Gains from disposal of fixed assets	140,774.90	160,385.54	140,774.90
Gains from disposal of intangible assets	—	—	—
Government grants (Details, see the statement below, lists of government subsidies)	61,900,356.24	51,628,675.32	27,769,533.09
Income from compensation	3,598,283.81	—	3,598,283.81
Income from penalty	2,879,986.02	2,620,502.92	2,879,986.02
Other	903,762.58	3,805,904.24	903,762.58
Total	69,423,163.55	58,215,468.02	35,292,340.40

Government subsidies recorded into current profits and losses

Item	2015	2014	Related to the assets/ income
R&D subsidies	34,130,823.15	33,065,348.65	Related to the income
Enterprise financial incentives for The steady growth of foreign trade of 2014	7,000,000.00	—	Related to the income
R&D subsidy	1,983,350.08	3,692,856.61	Related to the assets
Deferred income -other	1,824,475.37	864,748.02	Related to the income
Subsidies for supporting equipment of liquid crystal module project	1,755,000.00	1,755,000.00	Related to the assets
Industrialization project of large size liquid crystal display module (LCM)	1,200,000.00	1,200,000.00	Related to the assets
R&D and industrialization of large size liquid crystal display module	1,200,000.00	1,200,000.00	Related to the assets
Fund for flat panel display industry in year 2008	1,000,000.02	1,000,000.02	Related to the

Item	2015	2014	Related to the assets/ income
			assets
Special funds for Shenzhen brand cultivating	1,000,000.00	1,000,000.00	Related to the income
R&D and industrialization of integrated DTMB	820,000.02	820,000.02	Related to the assets
Key technology and industrialization of LED Backlight of flat TV set	499,999.98	—	Related to the assets
R&D and industrialization of integrated module of flat TV set	450,000.00	450,000.00	Related to the assets
R&D and industrialization of new-type terminal application service system of internet	300,000.00	300,000.00	Related to the assets
Special Fund of Strategic Emerging Industry Development of Dongguan Financial Bureau (High-End New Electronic Information)	300,000.00	300,000.00	Related to the assets
Funds for scientific and technological innovation and special guidance of achievements transfer	260,869.56	—	Related to the assets
The L/C export subsidies	234,961.00	820,722.00	Related to the income
Research instruments subsidies	210,400.02	—	Related to the assets
2010-2012 provincial finance's supporting matching fund for industrial technology progress project	210,000.00	210,000.00	Related to the assets
New generation of intelligent multimedia mobile phone industrialization	180,060.00	1,800,000.00	Related to the income
Machine module integration subsidy	150,000.00	75,000.00	Related to the assets
Special funds for transformation and upgrade of provincial industry in 2010	—	1,320,000.00	Related to the assets
Other	7,190,417.04	1,755,000.00	Related to the income
Total	61,900,356.24	51,628,675.32	

47. 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	1,333,624.80	3,468,914.31	1,333,624.80
Including: losses from disposal of fixed assets	1,333,624.80	3,468,914.31	1,333,624.80
Losses from disposal of intangible assets	—	—	—
Compensation expenses	—	—	—
Penalty expenses	517,570.40	68,973.65	517,570.40
External donation expenses	36,000.00	118,001.24	36,000.00
Other	1,335,108.95	380,051.82	1,335,108.95
Total	3,222,304.15	4,035,941.02	3,222,304.15

48. Income tax expense

(1) Lists of income tax expense

Item	Reporting period	Same period of last year
Current income tax expense	3,363,107.56	36,939,098.76
Deferred income tax expense	-54,464,726.76	-1,424,214.41
Total	-51,101,619.20	35,514,884.35

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

Item	Reporting period
Total profits	-355,719,790.89
Current income tax expense accounted by tax and relevant regulations	-88,929,947.72
Influence of different tax rate suitable to subsidiary	15,150,525.69
Influence of income tax before adjustment	1,224,003.30
Influence of non taxable income	-503,724.74
Influence of non- deductible costs, expenses and losses	-1,563,504.99
Influence of deductible losses of deferred income tax assets derecognized used	—

in previous period	
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	27,516,303.23
Changes of the balance of deferred income tax assets/ liabilities in previous period due to adjustment of tax rate	—
Other	-3,995,273.97
Deferred income tax	-51,101,619.20

49. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities

Item	Reporting period	Same period of last year
Current accounts and other	63,116,201.19	31,908,463.07
Interest income from bank deposits	50,806,977.96	69,459,760.96
Income from government subsidy	25,280,539.71	25,630,430.39
Indemnity income	17,710,940.97	27,554,760.14
Bargain money and deposit	7,399,974.01	8,071,360.46
Income from waste	4,012,389.68	5,802,642.86
Repayment of individual borrowing	3,677,654.89	—
Income from fine and penalty	2,879,986.02	509,158.87
Temporary received repair fund	585,764.95	4,333,841.05
Total	175,470,429.38	173,270,417.80

(2) Other cash paid relevant to operating activities

Item	Reporting period	Same period of last year
Expense for cash payment	460,136,035.36	464,713,053.27
Payment for pledges, guarantee and repair	54,634,052.75	17,680,792.70
Expense for bank handling charges	3,202,027.62	1,976,370.12
Employee reserve fund	15,101,732.17	17,293,013.87
Payment made on behalf	7,520,596.52	4,023,198.50
Donation expense	36,000.00	118,001.24
Other expense	41,859,725.05	67,346,157.60

Item	Reporting period	Same period of last year
Total	582,490,169.47	573,150,587.30

(3) Other cash received relevant to investment activities

Item	Reporting period	Same period of last year
Received financial product	1,300,500,000.00	200,000,000.00
Interest of land fund	488,063,979.00	—
Total	1,788,563,979.00	200,000,000.00

(4) Other cash paid relevant to investment activity

Item	Reporting period	Same period of last year
Purchase of financial product	1,301,000,000.00	600,000,000.00
Purchase of new share	5,784,590.00	—
Other	150,362.07	183,497.35
Total	1,306,934,952.07	600,183,497.35

(5) Other cash received relevant to financing activities

Item	Reporting period	Same period of last year
Note financing margin	118,095,176.56	—
Receipt and return of pledged RMB fixed deposits upon maturity	—	236,460.60
Total	118,095,176.56	236,460.60

(6) Other cash paid relevant to financing activities

Item	Reporting period	Same period of last year
Financing margin deposit	132,986,357.83	176,578,387.43
Financing lease	875,603.76	877,722.00
Other	—	615,051.58
Total	133,861,961.59	178,071,161.01

50. Supplemental information for Cash Flow Statement

(1) Supplemental information for Cash Flow Statement

Supplemental information	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operations:		
Net profit	-304,618,171.69	46,360,828.97
Add: Provision for assets impairments	37,744,452.91	35,603,952.78
Depreciation of fixed assets, oil-gas assets and productive biological assets	72,037,148.23	68,425,826.82
Amortization of intangible assets	6,114,059.53	6,033,144.06
Amortization of long-term deferred expense	10,613,072.64	1,927,894.23
Losses/gains on disposal of property, intangible asset and other long-term assets (gains: negative)	1,192,849.90	583,210.94
Loss on retirement of fixed assets (gains: negative)	—	2,725,317.83
Losses/gains from variation of fair value (gains: negative)	—	—
Financial cost (income: negative)	99,380,910.41	101,976,435.69
Investment loss (gains: negative)	7,185,454.13	-266,440,118.63
Decrease in deferred tax assets (increase: negative)	-60,779,263.28	-1,417,175.81
Increase in deferred tax liabilities (decrease: negative)	6,341,583.07	—
Decrease in inventory (increase: negative)	155,252,082.46	288,261,452.08
Decrease in accounts receivable from operating activities (increase: negative)	706,029,496.58	1,234,076,728.44
Increase in accounts payable from operating activities (decrease: negative)	-666,450,765.26	-310,189,416.28
Others	—	—
Net cash flows generated from operating activities	70,042,909.63	1,207,928,081.12
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	2,036,481,117.08	1,632,051,673.72

Supplemental information	Reporting period	Same period of last year
Less: Opening balance of cash	1,640,236,837.08	1,771,489,421.21
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	396,244,280.00	-139,437,747.49

(2) Cash and cash equivalents

Item	Reporting period	Same period of last year
I. Cash	2,036,481,117.08	1,771,489,421.21
Of which: Cash on hand	193,395.85	18,884.53
Bank deposit on demand	2,036,287,721.23	1,771,470,536.68
II. Cash equivalents	—	—
Of which: Bond investment due within three months	—	—
III. Closing balance of cash and cash equivalents	2,036,481,117.08	1,771,489,421.21

51. The assets with the ownership or use right restricted

Item	Closing book value	Restricted reason
Subtotal of assets for guarantee	79,197,475.64	
Intangible assets	79,197,475.64	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 of CKGY(2013 No. 1201211700. As of 30 Jun. 2015, the aforesaid book value of land use right of RMB79, 197,475.64 (original book value RMB 88,201,364.97) was pledged for obtaining long term loan of RMB 63,876,957.13.
Subtotal of assets with the ownership or use right restricted form by other reason:	1,859,532,420.12	
Other monetary funds	228,784,531.60	Each margin deposit for security can not be withdrawn at any time
Note payable	1,561,200,609.03	As of 30 Jun. 2015, the Company pledged bank acceptance 本 of RMB 1,561,200,609.03 to handle comprehensive financing business such as bank acceptance, letter of credit, letter of guarantee and trade financing, etc.
Account receivable	69,547,279.49	The Company's controlling subsidiary Dongguan Konka

Item	Closing book value	Restricted reason
		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 6,343,657.52 was considered as repayment, obtained short term loan of RMB 5,070,000.00.
Total	1,938,729,895.76	

52. Foreign currency monetary items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			373,705,956.89
Including: USD	59,503,307.86	6.11360	363,779,422.93
EUR	18,074.99	6.86990	124,173.37
HKD	10,177,076.92	0.78861	8,025,744.63
Canadian Dollar	6.96	4.92320	34.27
GBP	1.32	9.64220	12.73
IDR	3,862,106,443.89	0.00046	1,776,568.96
Account receivable			669,331,992.99
Including: USD	108,214,434.99	6.11360	661,579,769.75
HKD	4,397,500.18	0.78861	3,467,912.62
IDR	8,805,336,193.38	0.00046	4,050,454.65
AUD	49,764.00	4.69930	233,855.97
Other account receivable			3,490,291.85
Including: USD	490,921.91	6.11360	3,001,300.19
EUR	38,083.40	6.86990	261,629.15
HKD	93,071.11	0.78861	73,396.81
IDR	334,708,034.00	0.00046	153,965.70
Account payable			308,703,148.22
Including: USD	41,632,641.35	6.11360	254,525,316.16

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
HKD	28,062,677.73	0.78861	22,130,508.28
IDR	53,547,264,737.98	0.00046	24,631,741.78
EUR	1,079,430.85	6.86990	7,415,582.00
Short term loan			4,013,765,474.89
Including: USD	596,961,903.61	6.11360	3,649,586,293.91
EUR	53,010,841.64	6.8699	364,179,180.98
Long term loan			592,835,792.00
Including: USD	96,970,000.00	6.11360	592,835,792.00

IX. 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
Konka (Nanhai) Development Center	—	100.00	Cancel	2015-2-9	Cancellation procedure was completed	-491,110.76

(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
Konka (Nanhai) Development Center	—	—	—	—	—	—

2. Change of merger scope due to other reasons

(1) Shenzhen Konka Precision Mold Manufacturing Co., Ltd and Mansfield Technology (Taiwan) Co., Ltd, our subsidiaries contributed capital jointly and founded Anhui Jiasen Precision Technology Co., Ltd on December 22, 2014. Its registered capital was RMB 20 million, and it was paid in full amount by all the stockholders by September 30, 2015. In it, Shenzhen Konka Precision Mold Manufacturing Co., Ltd subscribed to RMB1.02 million, which occupied 51% of the registered capital by means of contribution in currency, Mansfield Technology (Taiwan) Co., Ltd subscribed to RMB9.80 million, which occupied 49% of the registered capital by means of contribution in RMB. By the date of the balance sheet, Shenzhen Konka Precision Mold Manufacturing Co., Ltd contributed RMB7.65 million, which occupied 38.25% of the registered capital, and Mansfield Technology (Taiwan) Co., Ltd contributed RMB4.8998million, which occupied 24.50% of the registered capital. The Company has right of control over it, and included it into its merger scope from January 1, 2015.

(2)The Company contributed capital with Shenzhen Kaikai Shijie Investment Partnership Enterprise (limited partnership) jointly and founded Anhui Kakai Shijie E-Commerce Co., Ltd on December 29, 2014, with a registered capital of RMB20 million. In it, the Company contributed RMB16 million, which occupied 80% of the registered capital. Shenzhen Kaikai Shijie Investment Partnership Enterprise (limited partnership) contributed RMB 4.0 million, which occupied 20% of the registered capital. The Company has right of control over it, and included it into its merger scope from January 1, 2015.

(3) The Company contributed capital with Shenzhen Yizhonghui Technology Co., Ltd and Shenzhen Yizhonghe Technology Co., Ltd jointly and founded Shenzhen Yipingfang Network Technology Co., Ltd, with a registered capital of RMB20 million on January 9, 2015. In it, the Company contributed RMB19.20million, which occupied 96% of the registered capital, the other stockholders contributed RMB800, 000, which occupied 4% of the registered capital, but the capital had not been contributed by the date of the balance sheet. The Company has right of control over it, and included it into its merger scope from January 9, 2015.

(4) The Company contributed capital with OCT Group jointly and founded Shenzhen Kangqiaojiacheng Property Investment Co., Ltd, with a registered capital of RMB10 billion on January 9, 2015, which will be paid in full amount by all the stockholders by December 31, 2019. In it, the Company subscribed to RMB700 million by means of contribution in RMB, which occupied 70% of the registered capital, OCT Group contributed to RMB300

million by means of contribution in RMB, which occupied 30% of the registered capital. By the date of the balance sheet, the Company contributed RMB112 million, which occupied 11.20% of the registered capital; OCT Group contributed RMB48 million, which occupied 4.8% of the registered capital. The Company has right of control over it, and included it into its merger scope from January 19, 2015.

(5) Kangdian Investment Development Co., Ltd, a subsidiary of the Company, contributed capital jointly with KK Orient Limited and founded Konka Smarttech Limited on January 21, 2015, with a registered capital of HK\$10million. In it, Kangdian Investment Development Co., Ltd contributed HK\$6.10 million, which occupied 61% of the registered capital and Konka Smarttech Limited contributed HK\$3.90 million, which occupied 39% of the registered capital. The Company has right of control over it, and included it into its merger scope from January 21, 2015.

(6) Shenzhen Konka Yishijie Commercial Display Co., Ltd, a subsidiary of the Company contributed capital and founded Shenzhen Konka Yishijie Commercial Display Service Co., Ltd, a wholly-funded subsidiary under it on May 7, 2015, with a registered capital of RMB2.00 million. The Company has right of control over it, and included it into its merger scope from May 7, 2015.

X. 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 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,	Investment holding	75.00	25.00	Set up or investment

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
		Guangdong				
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang, Heilongjiang	Mudanjiang, Heilongjiang	Manufacture	60.00	—	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
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
Hong Kong Konka Co., Ltd.	Hong Kong, China	Hong Kong, China	Hong Kong Konka	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	
			Co., Ltd.			
Konka Household Appliances Investment & Development Co., Ltd.	Hong Kong, China	Hong Kong, China	Konka Household Appliances Investment & Development Co., Ltd.	—	100.00	Set up or investment
Konka Household Appliances International Trading Co., Ltd.	Hong Kong, China	Hong Kong, China	Konka Household Appliances International Trading Co., Ltd.	—	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
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	Chuzhou Anhui	Chuzhou Anhui	Manufacture	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	
Co., Ltd.④						
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.	Guangdong Shenzhen	Guangdong Shenzhen	Manufacture	60.00	—	Set up or investment
Shenzhen E-display Service Co., Ltd.	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
Tianjin Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Other	—	70.00	Set up or investment
Anhui Jiasen Precision Technology Co., Ltd	Anhui	Anhui	Manufacture	—	23.62	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 Kangqiaojiacheng Property Investment Co., Ltd	Guangdong Shenzhen	Guangdong Shenzhen	Real estate	70.00	—	Set up or investment
Konka Smarttech Limited	Hong Kong, China	Hong Kong, China	Other	—	61.00	Set up or investment
Anhui Kakai Shijie E-Commerce Co., Ltd	Anhui	Anhui	E-commerce	80.00	—	Set up or investment
Shenzhen Yipingfang Network Technology Co., Ltd	Guangdong Shenzhen	Guangdong Shenzhen	Information service	96.00	—	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.

(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	541,887.63	—	41,141,052.66
Anhui Konka	22.00	-3,554,554.48	—	54,916,044.48
Dongguan Konka Mould Plastic Co., Ltd.	40.27	-3,358,327.79	—	40,852,907.67
Dongguan Xutongda Mould Plastic Co., Ltd.	53.69	3,869,565.90	—	13,116,808.79

(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
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	63,252,508.15	177,844,217.80	241,096,725.95	161,239,670.19	—	161,239,670.19
Anhui Konka	1,056,404,598.05	242,410,754.00	1,298,815,352.05	1,022,333,767.36	6,813,287.87	1,029,147,055.23
Dongguan Konka Mould Plastic Co., Ltd.	236,376,313.43	57,389,798.18	293,766,111.61	176,320,890.63	3,164,404.52	179,485,295.15
Dongguan Xutongda Mould Plastic Co., Ltd.	74,140,483.20	8,556,458.23	82,696,941.43	52,999,867.82	262,469.02	53,262,336.84

(Continued)

Name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liability
Shenzhen Konka Precision Mould	73,933,646.66	170,997,722.16	244,931,368.82	163,885,285.19	—	163,885,285.19

Name	Opening balance					
Manufacturing Co., Ltd.						
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

Name	Reporting period			
	Operating revenue	Net profits	Total comprehensive income	Cash flow of operating activities
Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	56,309,090.66	-1,189,027.87	-1,189,027.87	7,603,783.89
Anhui Konka	2,428,514,346.89	-11,901,124.74	-11,901,124.74	58,973,435.78
Dongguan Konka Mould Plastic Co., Ltd.	82,998,859.63	-8,221,585.52	-8,221,585.52	-10,955,909.12
Dongguan Xutongda Mould Plastic Co., Ltd.	84,103,163.49	7,240,416.80	7,240,416.80	-9,999,721.53

Name	Same period of last year			
	Operating revenue	Net profits	Total comprehensive income	Cash flow of operating activities
Shenzhen Konka Precision Mould Manufacturing	57,300,778.12	-1,260,788.91	-1,260,788.91	12,724,706.63

Name	Same period of last year			
Co., Ltd.				
Anhui Konka	1,950,159,308.59	-10,849,659.81	-10,849,659.81	42,865,882.02
Dongguan Konka Mould Plastic Co., Ltd.	145,203,294.42	4,508,902.22	4,508,902.22	23,150,645.56
Dongguan Xutongda Mould Plastic Co., Ltd.	80,172,167.88	5,374,021.36	5,374,021.36	-1,227,873.88

2. 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	—	26.45	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	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.
Current assets	341,730,366.36	475,063,721.57	268,409,318.7	476,703,490.64
Non-current assets	639,724,830.29	232,632,671.64	606,856,639.67	228,455,686.18
Total assets	981,455,196.65	707,696,393.21	875,265,958.44	705,159,176.82
Current liabilities	439,424,290.39	102,711,613.48	355,102,547.52	66,932,415.14
Non-current liabilities	247,268,850.06	95,504,437.10	232,930,605.06	119,562,409.62
Total liabilities	686,693,140.45	198,216,050.58	588,033,152.58	186,494,824.76
Minority interests	622.12	7,018,936.66	68.50	11,591,006.22
Equity attributable to owners of the Company	294,761,434.08	502,461,405.97	287,232,737.36	507,073,345.84
Net assets proportion calculated by	77,971,539.01	195,959,948.33	80,536,808.37	197,758,604.87

Item	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.
shareholding ratio				
Adjusting events				
-Goodwill	30,257,135.84	—	30,257,135.84	—
-Retained profits of internal transaction	—	—	—	—
-Other	—	—	—	—
Book value of investment to associated enterprise	108,228,674.85	195,959,948.33	110,793,944.21	197,758,604.87
Fair value of equity investment of associate enterprises with public offer	—	—	—	—
Operating income	78,019,124.12	71,478,992.66	49,861,829.96	77,088,855.89

Item	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.	Enray Tek Optoelectronic (Shanghai) Co., Ltd.	Shanghai Konka Green Science and Technology Co., Ltd.
Net profits	-17,970,749.66	-7,998,708.70	-3,204,359.66	-7,819,659.41
Net profits of termination operation	—	—	—	—
Other comprehensive income	—	—	—	—
Total comprehensive income	-17,970,749.66	-7,998,708.70	-3,204,359.66	-7,819,659.41
Equity received from associated enterprises in reporting period	—	—	—	—

XI. 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, 2015 (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 30 Jun. 2015, 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 to 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.

XII. 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				

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
(II) Available for sale financial assets				
1. Debt instruments investment	—	—	—	—
2. Equity instrument investment	1,796,971.20	—	—	1,796,971.20
3. Other	—	—	—	—
Total assets continue to calculated by fair value	1,796,971.20	—	—	1,796,971.20
Total assets inconsistently calculated by fair value	—	—	—	—

2. The basis for determining market price of continual and non-continual level-1 fair value measurement items

By the end of the year, the Company held 117,310.00 shares of stock A of Vanke, and their fair value at the end of the year was determined to be RMB1, 703, 341.20 according to closing price of RMB14.52 for each share on June 30, 2015. It held 500 shares of stock of Bobaolon, and their fair value at the end of the year was determined to be RMB20, 290.00 according to closing price of RMB40.58 for each share on June 30, 2015. It held 500 shares of stock of Soling, and their fair value at the end of the year was determined to be RMB17, 005.00 according to closing price of RMB34.01 for each share on June 30, 2015. It held 500 shares of stock of Science Sun, and their fair value at the end of the year was determined to be RMB33, 500.00 according to closing price of RMB67.01 for each share on June 30, 2015. It held 500 shares of stock of Junesun Fungi, and their fair value at the end of the year was determined to be RMB11, 325.00 according to closing price of RMB22.65 for each share on June 30, 2015. It held 500 shares of stock of Puyang Huicheng, and their fair value at the end of the year was determined to be RMB6, 575.00 according to closing price of RMB13.15 for each share on June 30, 2015. It held 500 shares of stock of Kedi Dairy, and their fair value at the end of the year was determined to be RMB4, 930.00 according to closing price of RMB9.86 for each share on June 30, 2015.

XIII. Related party and related Transaction

1. Information of subsidiary of the Company

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

2. Information on the joint ventures of the Company

The details of significant joint venture of the Company see note 10. Long term equity investment VI

3. 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 OCT Investment Development 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
Shenzhen OCT Real Estate Co., Ltd.	Under the same actual controller
Shenzhen the Windows of the world Co., Ltd.	Associated enterprise of the Company
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	Associated enterprise of the Company

Shenzhen OCT East Interlaken Hotel	Under the same actual controller
Shenzhen OCT Property Management Co., Ltd.	Under the same actual controller

4. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service

Related-party	Content	2015	2014
Shenzhen Refond Optoelectronics Co., Ltd.	Purchase materials	47,882,999.94	51,323,181.02
Anhui Huali Packaging (Huizhou) Co., Ltd.	Purchase materials	13,685,714.34	15,262,384.20
OCT Water & Electricity Company	Water & Electricity	2,982,321.50	3,321,585.10
Huali Packaging (Huizhou) Co., Ltd.	Purchase materials	5,062,131.26	7,173,404.45
Shanghai Huali Packaging Co., Ltd.	Purchase materials	5,313,689.89	5,822,678.56
Zhuhai JinSu Plastic Co., Ltd.	Purchase materials	456,923.11	—
OCT Hotel Group	Purchase materials	155,425.55	164,714.48

Transactions of selling commodities and providing labor services

Related-party	Content	2015	2014
Shanghai Konka Green Science and Technology Co., Ltd.	Selling LCDs, maintenance cost	—	11,087,208.54
Masahide Media Ltd	Advertising	18,868,462.33	—
Shenzhen Refond Optoelectronics Co., Ltd.	Selling materials	10,381,121.06	7,538,825.26
Shenzhen OCT East Co., Ltd.	Repair processing fee income	—	371,794.87
Shanghai Tianxiang OCT investment Co., Ltd.	Selling LCDs	—	10,683.76
Yunnan OCT Co., Ltd.	Selling LCDs	—	12,820.51
Shanghai Konka Green Science and Technology Co., Ltd.	Selling LCDs, maintenance cost	374,606.74	—

(2) Related trusteeship/contract

Secured party	currency	Guarantee amount (Ten Thousand Yuan)	currency	Actual using amount (Ten Thousand Yuan)	Start date	End date	Execution accomplished or not
Anhui Konka Tongchuang Household Appliances Co., Ltd.	RMB	30,000.00	RMB	4,950.00	2015-1-30	2016-1-29	No
	RMB		RMB	2,000.00	2015-6-2	2016-6-1	No
			RMB	—	2014-11-18	2015-11-17	No

Kunshan Konka Electronic Co., Ltd.	RMB	30,000.00	RMB	5,214.15	2014-12-26	2015-12-26	No
Anhui Konka Electronic Co., Ltd.	RMB	20,000.00	RMB	7,761.57	2014-12-26	2015-12-26	No
			RMB	610.79	2015-3-12	2016-3-12	No
			RMB	1,997.67	2015-4-10	2016-4-10	No
			RMB	3,537.20	2015-5-14	2016-5-14	No
			RMB	4,259.39	2015-5-19	2016-5-19	No
Shenzhen Yishijie Commercial Display Co., Ltd.	RMB	4,800.00	RMB	298.91	2015-1-27	2016-1-27	No
Shenzhen Konka Telecommunications Technology Co., Ltd.	RMB	50,000.00	RMB	8,351.29	2015-4-22	2016-4-21	No
Shenzhen Konka Telecommunications Technology Co., Ltd.	RMB	10,000.00	RMB	—	2015-1-28	2016-1-28	No
Hong Kong Konka Co., Ltd.	RMB	14,800.00	RMB	14,800.00	2015-4-1	2015-12-15	No
Hong Kong Konka Co., Ltd.	USD	4,000.00	USD	4,000.00	2015-6-26	2016-6-26	No
Hong Kong Konka Co., Ltd.	USD	2,470.00	USD	2,470.00	2015-3-23	2016-3-23	No
Hong Kong Konka Co., Ltd.	USD	2,530.00	USD	2,530.00	2015-5-29	2016-5-29	No
Hong Kong Konka Co., Ltd.	USD	1,000.00	USD	1,000.00	2014-10-10	2015-10-9	No
Hong Kong Konka Co., Ltd.	RMB	7,800.00	USD	1,215.00	2014-11-12	2015-11-10	No
Hong Kong Konka Co., Ltd.	USD	3,000.00	USD	3,000.00	2014-11-17	2015-12-17	No
Hong Kong Konka Co., Ltd.	USD	4,500.00	USD	4,500.00	2014-11-20	2015-12-18	No
Hong Kong Konka Co., Ltd.	USD	5,000.00	USD	4,850.00	2014-1-15	2016-2-14	No
Hong Kong Konka Co., Ltd.	USD	6,910.00	USD	6,700.00	2014-7-28	2016-8-27	No
Dongguan Konka Mould Plastic Co., Ltd.	RMB	3,000.00	RMB	2,140.00	2013-9-29	2016-9-29	No
Kunshan Geraint Mould	RMB	10,000.00	RMB	2,925.65	2015-1-21	2015-12-18	No

Plastic Co., Ltd.							
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Note: Anhui construction of chuzhou city, Co., Ltd. a minority shareholder of Anhui Konka Tongchuang Household Appliances Co., Ltd. for the amount of guarantees provided 50% counter-guarantee.

②, minority shareholders of Anhui Konka Electronic Co., Ltd. provide guarantees of the company's line of 22% the counter guarantee.

③ subsidiary Shenzhen subsidiary Kunshan jielunte precision provided amount to RMB 30 million Yuan fixed assets loan guarantee.

④ subsidiary Shenzhen precision to provide subsidiary Dongguan mold amount security of RMB 100 million for issuing notes, loan.

(3) Rewards for the key management personnel

Item	2015	2014
Rewards for the key management personnel	5.1135 million	8.0290 million

5. 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.	11,037,967.18	278,103.84	10,963,653.88	219,273.08
Shanghai Konka Green Lighting Technology Co.,Ltd.	131,099.44	2,621.99	—	—
Shenzhen Refond Optoelectronics Co., Ltd	8,775,156.27	175,503.13	7,478,269.37	149,565.39
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	—	—	1,260,956.45	25,219.13
Total	19,944,222.89	456,228.96	19,702,879.70	394,057.60
Other account receivable:				
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	5,058,104.93	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

Item	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Shenzhen OCT Real Estate Co., Ltd.	1,209,064.86	1,209,064.86	1,209,064.86	1,209,064.86
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.	763,410.76	15,268.22	776,572.25	15,531.45
Total	20,245,830.78	6,439,840.66	20,258,992.27	6,787,925.38

(2) Account payables

Item	Closing balance	Opening balance
Account payable		
Shenzhen Refond Optoelectronics Co., Ltd	750,302.22	17,648,415.04
Anhui Huali Packaging Co., Ltd.	4,205,725.70	9,801,227.07
Shenzhen Huali Packing and Trading Co., Ltd.	1,078,005.09	1,078,005.09
Shanghai Huali Packing Co., Ltd.	1,402,269.39	1,782,812.82
Shenzhen Dekon Electronics Co.,Ltd.	358,929.03	358,929.03
Huali Packaging (Huizhou) Co., Ltd.	1,141,905.38	1,050,557.07
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	1,525,624.20	—
Total	10,462,761.01	31,719,946.12
Note payable:		
Anhui Huali Packaging Co., Ltd.	3,028,381.67	1,605,902.13
Huali Packaging (Huizhou) Co., Ltd.	1,334,828.63	5,143,401.86
Shenzhen Refond Optoelectronics Co., Ltd	2,221,119.77	12,339,062.14
Zhuhai JinSu Plastic Co., Ltd.	1,169,600.00	—
Total	7,753,930.07	19,088,366.13
Receivable in advance		
Masahide Media Ltd	32,637,408.00	—
Shenzhen the Windows of the world Co., Ltd	—	81,000.00
Total	32,637,408.00	81,000.00
Other account payable:		

Item	Closing balance	Opening balance
Huali Packaging (Huizhou) Co., Ltd.	1,130,000.00	1,130,000.00
Shanghai Huali Packing Co., Ltd.	1,530,000.00	1,530,000.00
Huali Packaging (Huizhou) Co., Ltd.	428,000.00	428,000.00
Shenzhen Refond Optoelectronics Co., Ltd	51,135.00	51,135.00
Total	3,139,135.00	3,139,135.00

XIV. 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	93,536,361.57	150,424,982.66
- Foreign investment commitments	—	—
Total	93,536,361.57	150,424,982.66

(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	22,008,951.96	23,767,119.89
2 year after balance date	13,369,023.53	11,062,103.32
3 year after balance date	12,024,300.37	8,442,535.17
Future years	3,874,680.65	6,735,380.75
Total	51,276,956.51	50,007,139.13

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

The Company applied to China Construction Bank, Hong Kong Branch for a credit line of USD 50 million (about RMB305.68 million) on January 15, 2014 and provided a loan of USD48.50 million on January 15, 2014, and this credit line had been used up by June 30, 2015.

The Company applied to China Construction Bank, Shenzhen Branch for a credit line by letter of guarantee of USD69.10 million (about RMB422.8229 million) on July 23, 2014, and

provided a credit guarantee with a line of RMB409.973 million for Hong Kong Konka Co., Ltd on July 28, 2014, and its guarantee term was from July 28, 2014 to July 28, 2016. The line is mainly used by Hong Kong Konka Co., Ltd for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, this line had been used up.

The Company applied to HSBC Bank for a credit line by letter of guarantee of USD10 million (about RMB61.190 million) on October 10, 2014, and provided a credit guarantee with a line of RMB61.190 million for Hong Kong Konka Co., Ltd, and its guarantee term was from October 10, 2014 to October 10, 2015. The line is mainly used by Hong Kong Konka Co., Ltd for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, this line had been used up.

The Company applied to Industrial and Commercial Bank of China, Xinian Sub-branch for a credit line by letter of guarantee of RMB78 million on November 8, 2014, and provided a credit guarantee with a line of RMB74.3459 million for Hong Kong Konka Co., Ltd, and its guarantee term was from November 12, 2014 to October 27, 2015. The line is mainly used by Hong Kong Konka Co., Ltd for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, this line had been used up.

The Company applied to Agricultural Bank of China, Shenzhen OCT Sub-branch for a credit line by letter of guarantee of USD30 million (about RMB183.570 million) on November 17, 2014, and provided a credit guarantee with a line of RMB183.570 million for Hong Kong Konka Co., Ltd, and its guarantee term was from November 17, 2014 to November 18, 2015. The line is mainly used by Hong Kong Konka Co., Ltd for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, this line had been used up.

The Company applied to Agricultural Bank of China, Shenzhen OCT Sub-branch for a credit line by letter of guarantee of USD45 million (about RMB275.355 million) on November 20, 2014, and provided a credit guarantee with a line of RMB275.355 million for Hong Kong Konka Co., Ltd, and its guarantee term was from November 20, 2014 to November 20, 2015. The line is mainly used by Hong Kong Konka Co., Ltd for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, this line had been used up.

The Company signed a Credit Line Contract with the serial number of BJ2014Z241JTBB-1 with China Construction Bank, Shenzhen Branch on December 8, 2014, and provided a credit guarantee with a line of RMB200million for Anhui Konka Electronics Co., Ltd, and its guarantee term was from December 8, 2014 to December 7, 2017. The line is mainly used by Anhui Konka Electronics Co., Ltd for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, RMB 181,666,248.33 had been used in this line. Chuzhou State-owned Assets Operation Co., Ltd, a minority stockholder of Anhui Konka provided 22% of counter guarantee of the line guaranteed by the Company.

The Company provided a credit guarantee with a line of RMB300million for Anhui Konka Tongchuang Household Appliances Co., Ltd., and its guarantee term was from December 8, 2014 to December 7, 2017. The line is mainly used by Anhui Konka Tongchuang Household Appliances Co., Ltd. for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015,

RMB 69,500,000.00 had been used in this line. Chuzhou Tongchuang Investment and Construction Co., Ltd., a minority stockholder of Toptry Electric Appliance Co., Ltd provided 50% of counter guarantee of the line guaranteed by the Company.

The Company signed a Credit Line Contract with the serial number of BJ2014Z241JTBB-2 with China Construction Bank, Shenzhen Branch on December 8, 2014, and provided a credit guarantee with a line of RMB300million for Kunshan Konka Electronic Co., Ltd., and its guarantee term was from December 8, 2014 to December 7, 2017. The line is mainly used by Kunshan Konka Electronic Co., Ltd. for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, RMB 52,141,467.59 in this line had been used.

The Company applied to Ping An Bank for a credit line by letter of guarantee of RMB148 million on March 27, 2015, and provided a credit guarantee with a line of RMB148 million for Hong Kong Konka Co., Ltd, and its guarantee term was from April 1, 2015 to December 15, 2015. By June 30, 2015, this line had been used up.

The Company applied to Bank of China, Shenzhen Branch for a comprehensive credit line of RMB5.3 billion on April 21, 2015, and provided a credit guarantee of RMB500 million for Shenzhen Konka Telecommunications Technology Co., Ltd. with its comprehensive credit line of RMB500 million on April 22, 2015, and its guarantee term was from April 22, 2015 to April 21, 2016. The credit line is mainly used for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, RMB83, 512, 861.55 in this line had been used. The Company provided a credit guarantee of RMB60 million for Shenzhen Konka Electric Appliance Co., Ltd on December 8, 2014, and its guarantee term was from December 8, 2015 to December 7, 2017. The credit line is mainly used for the purposes of daily operating businesses such as opening and acceptance of letters of credit and acquiring financial loans from banks. By June 30, 2015, RMB0 in this line had been used.

The Company opened a letter of guarantee agreement for tendering purpose with China Construction Bank, Nanshan Sub-branch (Contract No: 0701-154150150055) due to tendering need of ground digital television and broadcasting transmitting system of wireless digital coverage project for central broadcasting and television programs. Its beneficiary is China International Tendering Company, the amount covered by the letter of guarantee is RMB6.584 million and the term of letter of guarantee is from May 5, 2015 to September 2, 2015.

The Company applied to China Development Bank, Shenzhen Branch for a credit line by letter of guarantee of USD24.70 million on March 20, 2015, and provided a credit guarantee for Hong Kong Konka Co., Ltd on March 23, 2015, and its guarantee term was from March 23, 2015 to March 23, 2016. By June 30, 2015, this line had been used up.

The Company applied to China Development Bank, Shenzhen Branch for a credit line by letter of guarantee of USD25.30 million on May 29, 2015, and provided a credit guarantee for Hong Kong Konka Co., Ltd on May 29, 2015, and its guarantee term was from May 29, 2015 to May 29, 2016. By June 30, 2015, this line had been used up.

The Company applied to China Minsheng Banking Corp., Ltd, Shenzhen Branch for a credit line by letter of guarantee of USD40 million on June 19, 2015, and provided a credit guarantee of a line of RMB148 million for Hong Kong Konka Co., Ltd on June 26, 2015, and its guarantee term was from June 26, 2015 to June 26, 2016. By June 30, 2015, this line had been used up.

By June 30, 2015, the Company opened commercial acceptance bills with a total amount of

RMB41, 227, 166.17 for Konka Electric Appliance Co., Ltd, which was used as pledge to open bank acceptance bills. In accordance with the Agreement on Opening Bank Acceptance Bills (SN: CD79172015880178) signed by Konka Electric Appliance Co., Ltd and Shanghai Pudong Development Bank, Shenzhen Branch, a bank acceptance bill with an amount of RMB4,076,491.13 was opened, and its contractual term was from February 3, 2015 to July 28, 2015. In accordance with the Agreement on Opening Bank Acceptance Bills (2015 SJTZCS No. 068) signed by Konka Electric Appliance Co., Ltd and China Minsheng Banking Corp., Ltd, Shenzhen Branch, a bank acceptance bill with an amount of RMB3,443,578.26 was opened, and its contractual term was from May 27, 2015 to November 27, 2015.

XV. Events after balance sheet date

1. On 27 Aug. 2015, the Company held the 4th Meeting of the 8th Session of Board of Directors, the meeting reviewed and approved the 2015 profits distribution preplan, which was: in order to reward the shareholders and share the operation result with the shareholder and increase the liquidity of the Company's share, under the premise of ensuring the Company's normal operation and long-term development, the Company decided that: on the base of total equity of 1,203,972,704 shares, conducting capital reserve transfer into share capital, every 10 shares transfer 10 shares, after the transfer, the total share capital of the Company will increase by 2,407,945,408 shares.

XVI. 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)	796,757.13
Within 1 year and 2 years (including 2 years)	276,328.20
Total	1,073,085.33

(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 RMB71, 200.00; amortization method is the actual interest rate method.

(4) Category of fixed assets leased by operating lease, please refer to note VI, 12 (4)

2. 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 30 Jun. 2015, the Credit Limit had used \$10, 000,000.00, unused \$ 10,000,000.00.

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. As of 30 Jun. 2015, the Credit Limit had used RMB 1,474,695,219.75, unused RMB 3,525,304,780.25.

4. On January 13, 2015, the Company signed a Comprehensive Credit Line Contract with the serial number of 0251378 with Bank of Beijing, Shenzhen Branch, according to which, max credit line was RMB500.00 million, and its term was from January 13, 2015 to January 13, 2016. Specific credit awarding businesses include loan in foreign currencies, acceptance of bills and opening of import letters of credit and letters of guarantee. By June 30, 2015, the used line of this credit line was 427,765,138.15 and unused credit line was 72,234,861.85.

5. On January 27, 2015, the Company signed a Comprehensive Credit Line Contract with the serial number of 2015 SJTZEZ No 002 with China Minsheng Banking Corp., Ltd, according to which, max credit line was RMB500.00 million. Specific credit awarding businesses include import and export deposit exchange, payment for import on behalf, delivery-taking guarantee and packing credit, as well as discounting(pledging) of bill of exchange that Party A conducts with Party B as a creditor and holder of bills. The validity term of the contract was from January 27, 2015 to January 27, 2016.

6. On March 31, 2015, the Company contracted with Agricultural Bank of China, Shenzhen OCT Sub-branch that max credit line to be applied was RMB2 billion. By June 30, 2015, the unused credit line was RMB1, 532, 264, 132.85 and used credit line was RMB467, 735, 867.15.

7. On April 23, 2015, the Company extended the term of the Credit Line Agreement with the serial number of 2013 ZZYEXZ No. 0001005 signed with Bank of China, Shenzhen Branch, according to which the Company and Konka Telecommunications provided a collateral guarantee against a bank acceptance bill no less than RMB1.3 billion for acquiring a comprehensive credit line of no more than RMB5.3 billion. The Company was the credited person and Konka Telecommunications was the entitled drawer, and expiration date after extension was April 21, 2016. By June 30, 2015, the used line of this credit line was RMB3, 928, 819,716.69, and unused line was RMB1, 371, 180, 283. 31.

8. On May 28, 2015, the Company signed a Comprehensive Credit Line Contract with the serial number of 2015 SYQHZZ No.0005 with CITIC Bank, Shenzhen Civic Center Sub-branch, with a credit awarding line of RMB400 million. The specific credit awarding businesses included loan, undertaking and discounting of notes, opening of letter of credit, packing loan, import and export deposit exchange and opening of letter of guarantee. The credit awarding term of the contract was from May 28, 2015 to April 15, 2017. By June 30, 2015, this comprehensive credit line had not been used temporarily.

9. On May 13, 2015, the Company contracted with Bank of Ningbo, Shenzhen Branch that max credit line to be applied was RMB500 million. By June 30, 2015, unused line was RMB300 million and used line was RMB200 million.

10. By June 30, 2015, the total amount for the letters of guarantee in RMB opened by the Company was RMB452, 634,000.00, the total amount for the letters of guarantee in USD was USD325, 000,000.00, and that for the letters of guarantee in EUR was EUR 25,000.00. of them, the amount for the letters of guarantee in RMB that the Company opened to Hong Kong Konka, its subsidiary, through its credit awarding bank was USD 325,200,000.00 and that for letters of guarantee the Company opened to Hong Kong Konka in USD was 226,000,000.00.

11. By June 30, 2015, the amount for the letters of credit that the Company opened for Konka Electronics, its subsidiary, was RMB3, 186,710,335.31; of which the amount used by the subsidiary was RMB3, 081,643,066.53, and unused amount was 105, 067, 268. 78. The total amount for the letters of credit that it opened for Hong Kong Konka, its subsidiary, was RMB 13, 619, 382.48; of which, the amount used by the subsidiary was RMB13, 619, 382.48, and unused amount was 0.

12. The dividend distribution program passed the review at the stockholder meeting of 2014 held on May 28, 2015, and its specific contents were as follows: Based on the total stock shares of 1,203,972,704 in the year of 2014, a dividend of RMB0.1 (tax included) will be distributed per 10 shares to all the stockholders, and total amount of dividend to be distributed will be RMB 12, 039,727.04, and remaining undistributed profit will be carried forward to later years for distribution.

13. The Company is planning equity incentive matter currently. By the date of approval of this report, the Company and related parties are preparing materials actively and doing their best to push forward various jobs.

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:					
Group 1: aging group	1,080,511,048.34	56.89	209,330,818.38	19.37	871,180,229.96
Group 2: Related party group	818,830,022.96	43.11	—	—	818,830,022.96
Subtotal of groups	1,899,341,071.30	100.00	209,330,818.38	11.02	1,690,010,252.92
Accounts receivable with insignificant single amount	—	—	—	—	—

and individually withdrawn bad debt provision					
Total	1,899,341,071.3	100.00	209,330,818.38	100.00	1,690,010,252.92

(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:					
Group 1: aging group	1,436,462,593.91	81.90	214,731,732.08	14.95	1,221,730,861.83
Group 2: Related party group	317,565,114.46	18.10	—	—	317,565,114.46
Subtotal of groups	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

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 (%)
1 Within 1 year	844,192,506.30	16,884,260.69	2.00
1-2 years	24,347,792.28	1,217,389.61	5.00
2-3 years	21,519,804.47	4,303,960.89	20.00
3-4 years	4,064,337.37	2,032,168.69	50.00

Aging	Closing balance		
	Account receivable	Provision for bad debts	Proportion (%)
4-5 years	2,987,138.84	1,493,569.42	50.00
Over 5 years	183,399,469.08	183,399,469.08	100.00
Total	1,080,511,048.34	209,330,818.38	

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

Name of the group	Closing balance		
	Account receivable	Provision for bad debts	Proportion (%)
Related party group	818,830,022.96	—	—
Total	818,830,022.96	—	—

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB -5,400,913.70 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 334,682,253.94, 17.62% of the balance of closing account receivable, the relevant balance of bad debt provision was RMB 9,542,592.79.

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	31,507,986.04	3.47	18,450,138.46	58.56	13,057,847.58
Other accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					

Group 1: aging group	138,637,718.41	15.24	31,050,122.36	22.40	107,587,596.05
Group 2: Related party group	739,368,129.13	81.29	—	—	739,368,129.13
Subtotal of groups	878,005,847.54	96.53	31,050,122.36	3.54	846,955,725.18
Other accounts receivable with insignificant single amount and individually withdrawn bad debt provision	—	—	—	—	—
Total	909,513,833.58	100.00	49,500,260.82	5.44	860,013,572.76

(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	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:					
Group 1: aging group	629,814,580.00	61.30	20,473,350.81	3.25	609,341,229.19
Group 2: Related party group	366,148,374.77	35.63	—	—	366,148,374.77
Subtotal of groups	995,962,954.77	96.93	20,473,350.81	2.06	975,489,603.96
Other accounts receivable with insignificant single amount and individually withdrawn bad debt provision	—	—	—	—	—
Total	1,027,470,924.05	100.00	39,271,294.00	3.82	988,199,630.05

① Other accounts receivable with significant single amount and individually withdrawn bad debt provision at period-end

Other accounts receivable(entity)	Closing balance			Reason
	Other accounts receivable	Provision for bad debts	Withdrawal proportion (%)	
Chongqing Konka Auto Electronic Company	13,392,033.53	13,392,033.53	100.00	Suspended production, plan to sell
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	5,058,104.93	27.92	Assessment of impairment
Total	31,507,986.04	18,450,138.46		—

② In 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	41,384,557.87	583,617.27	1.14
1-2 years	4,595,916.83	229,795.84	5.00
2-3 years	76,341,291.96	15,268,258.39	20.00
3-4 years	2,478,778.88	1,239,389.44	50.00
4-5 years	216,222.90	108,111.45	50.00
Over 5 years	13,620,949.97	13,620,949.97	100.00
Total	138,637,718.41	31,050,122.36	

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

Name of the group	Closing balance		
	Other account receivable	Provision for bad debts	Proportion (%)
Related party group	739,368,129.13	—	—

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB 10,228,966.82 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
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Entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Client 1	Current amount	112,829,249.88	Within 1 year	12.41	—
Client 2	Current amount	106,095,989.02	Within 2-3years	11.67	—
Client 3	Current amount	100,000,000.00	Within 1-2years	10.99	—
Client 4	Subsidy	75,655,587.77	Within 2-3years	8.32	—
Client 5	Loan	62,894,650.00	Within 1 year	6.92	12,578,930.00
Total		457,475,476.67		50.31	12,578,930.00

3. Long term equity investment

(1) Category of equity investment

Item	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Investment to subsidiary	1,632,810,835.91	94,394,984.69	1,538,415,851.22	1,505,310,835.91	94,394,984.69	1,410,915,851.22
Investment to joint venture and associate enterprises	202,286,296.11	—	202,286,296.11	197,758,604.87	—	197,758,604.87
Total	1,835,097,132.02	94,394,984.69	1,740,702,147.33	1,703,069,440.78	94,394,984.69	1,608,674,456.09

(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 Konka	36,000,000.00	—	—	36,000,000.00	—	36,000,000.00
Anhui Konka	122,780,937.98	—	—	122,780,937.98	—	—
Dongguan Konka	274,783,988.91	—	—	274,783,988.91	—	—
Hong Kong Konka	781,828.61	—	—	781,828.61	—	—
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	10,732,485.69	—	—	10,732,485.69	—	10,732,484.69

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Appliances						
Telecommunication Technology	90,000,000.00	—	—	90,000,000.00	—	—
Konka America	8,062,500.00	—	—	8,062,500.00	—	8,062,500.00
Information Network	22,500,000.00	—	—	22,500,000.00	—	22,500,000.00
Shushida	31,500,000.00	—	—	31,500,000.00	—	—
Chongqing Electronic	17,100,000.00	—	—	17,100,000.00	—	17,100,000.00
Fittings Technology	48,750,000.00	—	—	48,750,000.00	—	—
Kunshan Kangsheng	350,000,000.00	—	—	350,000,000.00	—	—
Anhui Tongchuang	69,702,612.22	—	—	69,702,612.22	—	—
Konka Optoelectronic	10,000,000.00	—	—	10,000,000.00	—	—
Wankaida	10,000,000.00	—	—	10,000,000.00	—	—
Beijing Konka	30,000,000.00	—	—	30,000,000.00	—	—
Shushida Logistics	10,000,000.00	—	—	10,000,000.00	—	—
Konka E-display	7,200,000.00	—	—	7,200,000.00	—	—
Kaikai Shijie	—	16,000,000.00	—	16,000,000.00	—	—
Konka Jiacheng	—	112,000,000.00	—	112,000,000.00	—	—
Total	1,505,310,835.91	128,000,000.00	500,000.00	1,632,810,835.91	—	94,394,984.69

(3) Investment to joint venture and associated enterprise

Entity	Opening 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.	197,758,604.87	—	—	-1,798,656.54	—	—
Zhuhai JinSu Plastic Co., Ltd.	—	6,210,000.00	—	116,347.78	—	—
Subtotal	197,758,604.87	6,210,000.00	—	-1,682,308.76	—	—
Total	197,758,604.87	6,210,000.00	—	-1,682,308.76	—	—

(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					

Entity	Increase/ decrease			Closing balance	Closing balance of bad debt provision
	Equities or profits declare to issue	Bad debt provision	Other		
Shanghai Konka Green Science and Technology Co., Ltd.	—	—	—	195,959,948.33	—
Zhuhai JinSu Plastic Co., Ltd.	—	—	—	6,326,347.78	—
Subtotal	—	—	—	202,286,296.11	—
Total	—	—	—	202,286,296.11	—

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	5,206,152,132.20	4,497,471,865.49	6,099,604,673.55	5,167,064,503.47
Other operations	2,583,414,002.88	2,541,927,133.83	2,373,201,312.47	2,344,487,228.02
Total	7,789,566,135.08	7,039,398,999.32	8,472,805,986.02	7,511,551,731.49

(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	5,206,152,132.20	4,497,471,865.49	6,099,604,673.55	5,167,064,503.47
Total	5,206,152,132.20	4,497,471,865.49	6,099,604,673.55	5,167,064,503.47

(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	4,941,412,033.28	4,263,991,650.08	5,750,914,101.07	4,846,133,418.18
Consumer appliances business	257,995,693.55	226,820,496.00	308,491,356.79	280,926,543.15
Others	6,744,405.37	6,659,719.41	40,199,215.69	40,004,542.14
Total	5,206,152,132.20	4,497,471,865.49	6,099,604,673.55	5,167,064,503.47

(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	4,482,238,335.25	3,820,646,881.53	5,136,480,346.53	4,230,458,436.94
Overseas sales	723,913,796.95	676,824,983.96	963,124,327.02	936,606,066.53
Total	5,206,152,132.20	4,497,471,865.49	6,099,604,673.55	5,167,064,503.47

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

Period	Total amount of Top 5 customers	Proportion of the same period of the
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Jan.-Jun. 2015	1,076,825,404.57	13.82
Jan.-Jun. 2014	1,609,340,421.61	18.99

5. Investment income

Item	2015	2014
Long-equity investment income measured by cost method	2,014,898.95	—
Long-equity investment income measured by equity method	-1,682,308.76	-2,175,501.89
Investment income occurred from disposing the long-term equity investment	-491,110.76	255,080,452.51
Investment income of the available-for-sale financial assets during the holding period	2,153,880.21	48,104.52
Income occurred from the entrust management and entrust loans	37,377,437.29	18,482,089.04
Total	39,372,796.93	271,435,144.18

XVIII. Supplementary information**1. List of non-current gains and losses of 2015**

Item	Amount
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-1,192,849.90
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	27,769,533.09
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	3,442,481.04
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	2,153,880.21
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately	—
Gain/loss on entrustment loans	1,669,999.98
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method	—
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	—
Custody fee income when entrusted with operation	—
Non-operating income and expense other than the above	5,493,353.06
Other gain and loss items that meet the definition of an extraordinary gain/loss	4,936,419.75
Subtotal	44,272,817.23
Less: Income tax effects	6,314,708.35

Item	Amount
Minority interests effects (after tax)	973,384.29
Total	36,984,724.59

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	34,130,823.15	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	34,130,823.15	

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	-7.52	-0.2466	-0.2466
Net profits attributed to the common shareholders after deducting the non-current gains and losses	-8.46	-0.2774	-0.2774

Notes: (1) The corresponding ROEWA of the net profits attributed the common shareholders of the Company $= -317,914,497.85 / (4,103,478,971.07 - 317,914,497.85 / 2 - 12,039,727.04 * 1/6 + 90,185.65 * 6/6 - 674,846.91 * 6/6)$

The corresponding ROEWA of the net profits attributed the common shareholders after deducting the non-current gains and losses $= (-317,914,497.85 - 36,716,371.02) / (4,103,478,971.07 - 317,914,497.85 / 2 - 12,039,727.04 * 1/6 + 90,185.65 * 6/6 - 674,846.91 * 6/6)$

Section X. 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.
28 Aug. 2015