

Konka Group Co., Ltd.
Report for the First Quarter of 2016

2016-34

April 2016

Section I Important Statements

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Konka Group Co., Ltd. (hereinafter referred to as “the Company”) warrant that the information carried in 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 have attended the board session for reviewing this report.

Liu Fengxi, Company Principal, Xiao Qing, Chief of the Accounting Work, and Xu Youshan, Chief of the Accounting Organ (Chief of Accounting), hereby confirm that the financial statements enclosed in this report are 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.

Section II Financial Results and Changes in Shareholders

I Financial results

Whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

Yes No

	January-March 2016	January-March 2015	+/-%
Operating revenues (RMB)	4,072,311,262.92	4,569,152,230.30	-10.87%
Net profit attributable to shareholders of the Company (RMB)	8,429,549.66	7,752,441.61	8.73%
Net profit attributable to shareholders of the Company after excluding exceptional profit and loss (RMB)	27,524,586.04	-214,058.24	12,958.46%
Net operating cash flow (RMB)	295,245,741.81	277,361,649.37	6.45%
Basic earnings per share (RMB/share)	0.0035	0.0032	9.38%
Diluted earnings per share (RMB/share)	0.0035	0.0032	9.38%
Weighted average return on equity	0.30%	0.19%	0.11%
	31 March 2016	31 December 2015	+/-%
Total assets (RMB)	13,610,186,488.31	14,250,367,548.28	-4.49%
Net assets attributable to shareholders of the Company (RMB)	2,823,436,379.20	2,814,382,870.81	0.32%

Exceptional profit and loss

Applicable Not applicable

Unit: RMB

Item	January-March 2016	Note
Profit/loss on disposal of non-current assets (including offset amount of asset impairment provisions)	-435,798.87	
Government grants charged to the profit/loss for the Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	23,139,244.03	
Profit/loss on entrusting others with investments or asset management	1,502,980.16	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment profit on disposal of transactional financial assets and liabilities as well as financial	-46,971,128.14	

assets available for sale, except for effectively hedging business related to normal business operations of the Company		
Non-operating income and expense other than the above	8,893,359.79	
Less: Income tax effects	1,873,314.30	
Minority interests effects (after tax)	3,350,379.05	
Total	-19,095,036.38	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss
 Applicable Not applicable

Item	Amount (RMB)	Reason
Tax rebates on software	62,402,069.25	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

II Total number of shareholders at the period-end and shareholdings of top ten shareholders

1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

Unit: share

Total number of common shareholders at the period-end	162,563	Total number of preference shareholders with resumed voting rights at the period-end (if any)	0			
Shareholdings of top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
OCT ENTERPRISES CO.	State-owned corporation	21.75%	523,746,932	0	Pledged	0
					Frozen	0
CITIC SECURITIES BROKERAGE (HK) CO., LIMITED	Foreign corporation	7.48%	180,001,110	0	Pledged	0
					Frozen	0
HOLY TIME GROUP LIMITED	Foreign corporation	2.32%	55,841,024	0	Pledged	0
					Frozen	0
GUOYUAN	Foreign	2.32%	55,745,009	0	Pledged	0

SECURITIES BROKERAG (HK) CO., LIMITED	corporation				Frozen	0
GAOLING FUND, L.P.	Foreign corporation	2.19%	52,801,250	0	Pledged	0
					Frozen	0
CMS (HK) CO., LIMITED	State-owne d corporation	1.05%	25,233,816	0	Pledged	0
					Frozen	0
NAM NGAI	Foreign individual	0.97%	23,335,040	0	Pledged	0
					Frozen	0
CSI CAPITAL MANAGEMENT LIMITED	Foreign corporation	0.83%	20,050,928	0	Pledged	0
					Frozen	0
BOCI SECURITIES LIMITED	Foreign individual	0.79%	18,983,092	0	Pledged	0
					Frozen	0
ZHONGRONG INTERNATIONAL TRUST CO., LTD. — ZHONGRONG — RONGHUI DIANJIN NO. 18 STRUCTURED SECURITIES INVESTMENT ASSEMBLED FUNDS TRUST PLAN	Other	0.69%	16,672,972	0	Pledged	0
					Frozen	0

Shareholdings of top ten non-restricted shareholders

Name of shareholder	Number of non-restricted shares held	Variety of shares	
		Variety	Number
OCT ENTERPRISES CO.	523,746,932	RMB common shares	523,746,932
CITIC SECURITIES BROKERAG (HK) CO., LIMITED	180,001,110	Domestically listed foreign shares	180,001,110
HOLY TIME GROUP LIMITED	55,841,024	Domestically listed foreign shares	55,841,024
GUOYUAN SECURITIES BROKERAG (HK) CO., LIMITED	55,745,009	Domestically listed foreign shares	55,745,009
GAOLING FUND,L.P.	52,801,250	Domestically	52,801,250

		listed foreign shares	
CMS (HK) CO., LIMITED	25,233,816	Domestically listed foreign shares	25,233,816
NAM NGAI	23,335,040	Domestically listed foreign shares	23,335,040
CSI CAPITAL MANAGEMENT LIMITED	20,050,928	Domestically listed foreign shares	20,050,928
BOCI SECURITIES LIMITED	18,983,092	Domestically listed foreign shares	18,983,092
ZHONGRONG INTERNATIONAL TRUST CO., LTD. — ZHONGRONG — RONGHUI DIANJIN NO. 18 STRUCTURED SECURITIES INVESTMENT ASSEMBLED FUNDS TRUST PLAN	16,672,972	RMB common shares	16,672,972
Related or acting-in-concert parties among the above shareholders	The wholly owned subsidiary Jialong Investment Co., Ltd. of the first majority shareholder OVERSEAS CHINESE TOWN ENTERPRISES CO. respectively hold the common share of the Company of 180,001,110 shares and 18,360,000 shares through CITIC SECURITIES BROKERAG (HK) CO., LIMITED and CMS (HK) CO., LIMITED, and Jialong Investment Co., Ltd. and OVERSEAS CHINESE TOWN ENTERPRISES CO. were persons acting in concert; the Company does not know whether the other shareholders are related parties and whether they are acting-in-concert parties.		
Top ten common shareholders conducting securities margin trading (if any)	N/A		

Notes: on 2 Mar. 2016, the 396,763,880 shares which subjected to trading moratorium held by the major shareholder-OCT Enterprises Co. of the Company was formally relieved the restriction with the details please refer to <http://www.cninfo.com.cn/finalpage/2016-02-27/1202003527.PDF>.

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

Yea No

No such cases in the Reporting Period.

2. Total number of preference shareholders and shareholdings of the top ten of them

Applicable Not applicable

Section III Significant Events

I Changes in major accounting statement items and financial indicators for the Reporting Period, as well as reasons for such changes

√ Applicable □ Not applicable

(I) In the Reporting Period, we accelerated our transformation by pushing forward our mechanism reform and focusing on improvement of our basic capabilities through the whole chain (planning, manufacturing, R&D, supply, promotion, marketing, after-sales service, etc.). When compared with the same period of last year, through improving our product structure and operating efficiency, we managed to considerably increase the gross profit margin of our color TVs sold to the domestic market, but our operating revenues decreased due to the lower selling prices of our color TVs.

In the Reporting Period, we launched a new high-end series—the V91 OLED Organic TVs, featuring our whole-new product concept of “Thin, Vivid and Quick” and demonstrating our ambition to, by technical innovation and resource integration, explore new fields as a color TV leader as well as create a better audio and visual experience and a new experience with smart TVs for our color TV consumers. Meanwhile, we continued to improve our user operation, enhanced our cooperation with leading video service providers such as Tencent and iQIYI, and carried out a project for our Internet operation system.

(II) Changes in financial results

Unit: RMB'0,000

Item	31 March 2016/ January-March 2016	31 December 2015/ January-March 2015	+/-	+/-%	Main reason for change
Other current assets	12,160.87	64,731.19	-52,570.33	-81.21	Financial products became due.
Long-term equity investments	27,069.61	19,057.35	8,012.26	42.04	Shenzhen Konka Precision Mold Manufacturing Co., Ltd. and its subsidiaries were excluded from the scope of our consolidated financial statements and recognized as a long-term equity investment measured at the equity method.
Financial costs	4,990.89	7,655.13	-2,664.24	-34.80	Exchange loss decreased.
Profit on fair value changes	-4,832.58	0.00	-4,832.58	N/A	The current period saw fair value changes in our DF business while there was no such business in the same period of last year.

II Progress of significant events and analysis & explanations on their influence and solutions

Applicable Not applicable

1. Progress on the project of city renewal in the plant area of our Headquarters

So far, the planning and advisory agency for the project has been found through bidding invitation. Land leveling and other preparations are now proceeding.

2. Progress on our Kunshan Zhouzhuang project

The Phase I and II (residential) of our Kunshan Zhouzhuang project have been completed and largely sold. The Phase III is currently under construction.

3. Progress on our private issue

On 17 March 2016, trading of our stock was halted due to our planning of a private issue. On 12 April 2016, the 14th Meeting of the 8th Board of Directors and the Ninth Meeting of the Eighth Supervisory Committee were convened, at which the Proposal on Preliminary Plan for Private Issue of A-shares and other relevant proposal were considered and approved. Upon our application to the Shenzhen Stock Exchange, trading of our stock started again from 13 April 2016.

Our plan for this private issue still awaits the approval of the State-owned Assets Supervision and Administration Commission of the State Council, the General Meeting of the Company and the China Securities Regulatory Commission before implementation. Investors are kindly reminded to pay attention to possible investment risks.

For more details about this private issue, please refer to our announcements disclosed on <http://www.cninfo.com.cn>.

III Commitments of the Company, its shareholders, actual controller, acquirer, directors, supervisors, senior management or other related parties fulfilled in the Reporting Period or ongoing at the period-end

Applicable Not applicable

No such cases in the Reporting Period.

IV Operating result forecast for January-June 2016

Forecast of a possible deficit or considerable YoY change in the accumulative net profit made during the period from the beginning of the year to the end of the next reporting period, as well as explanation of why:

Applicable Not applicable

V Securities investments

Applicable Not applicable

Variety	Code of	Name	Initial investm	Numbe	Shareh	Numbe	Shareh	Closing	Gain/lo	Accoun	Source
---------	---------	------	-----------------	-------	--------	-------	--------	---------	---------	--------	--------

of securities	securities	of securities	ent cost (RMB)	r of shares held at period-begin	olding percent age at period-begin	r of shares held at period-end	olding percent age at period-end	book value (RMB)	ss for reporting period (RMB)	ting title	of securities
Stock	000002	Vanke A	2,311,748.07	117,310	0%	117,310	0%	2,865,883.3	0	Availab le-for-sale financial assets	Additio nally issued shares subscri bed
Stock	002787	Huayua n Packagi ng	5,685.00	500	0%	0	0%	0	15,380.40	Availab le-for-sale financial assets	New shares subscri bed
Stock	300500	CSIAD	10,455.00	500	0%	0	0%	0	29,323.22	Availab le-for-sale financial assets	New shares subscri bed
Other security investment held at period-end			0	0	--	0	--	0	0	--	--
Total			2,327,888.07	118,310	--	117,310	--	2,865,883.3	44,703.62	--	--
Disclosure date of the board announcement on securities investment approval			N/A								
Disclosure date of the general meeting announcement on securities investment approval (if any)			N/A								

VI Investments in derivative financial instruments

Applicable Not applicable

No such cases in the Reporting Period.

VII Visits paid to the Company in the Reporting Period for purposes of research, communication, interview, etc.

Applicable Not applicable

Report for the First Quarter of 2016 of Konka Group Co., Ltd.

No such cases in the Reporting Period.

VIII Illegal provision of guarantees for external parties

Applicable Not applicable

No such cases in the Reporting Period.

IX Occupation of the Company's funds by the controlling shareholder or its related parties for non-operating purposes

Applicable Not applicable

No such cases in the Reporting Period.

Section IV Financial Statements

I Financial statements

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

31 March 2016

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,868,089,544.02	1,706,446,928.92
Settlement reserves		
Lendings to banks and other financial institutions		
Financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period	2,044,570.72	33,196,377.28
Derivative financial assets		
Notes receivable	2,803,294,515.08	2,880,860,750.44
Accounts receivable	2,112,904,717.32	2,048,813,439.34
Accounts paid in advance	338,343,688.28	193,664,620.66
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	805,540.44	7,426,409.52
Dividends receivable	10,706,957.35	
Other accounts receivable	106,406,355.67	160,165,779.82
Financial assets purchased under agreement to resell		
Inventories	2,717,210,325.18	2,882,515,913.28
Assets held for sale		
Non-current assets due within one year		

Other current assets	121,608,677.51	647,311,938.45
Total current assets	10,081,414,891.57	10,560,402,157.71
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	311,966,097.66	311,974,282.66
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	270,696,117.17	190,573,524.29
Investment property	226,310,359.96	227,718,178.53
Fixed assets	1,630,135,610.88	1,763,503,189.50
Construction in progress	166,010,987.36	207,854,180.88
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	303,127,532.56	352,591,887.48
R&D expense		
Goodwill	3,597,657.15	3,597,657.15
Long-term deferred expenses	77,548,422.79	82,846,982.07
Deferred income tax assets	539,378,811.21	549,305,508.01
Other non-current assets		
Total non-current assets	3,528,771,596.74	3,689,965,390.57
Total assets	13,610,186,488.31	14,250,367,548.28
Current liabilities:		
Short-term borrowings	3,596,392,076.42	4,150,773,195.76
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Loans from banks and other financial institutions		
Financial liabilities measured at fair value with fair value changes included in the profit and loss for the Reporting Period	17,330,522.15	
Derivative financial liabilities		
Notes payable	1,592,826,068.25	929,176,857.06

Accounts payable	2,373,290,086.96	2,980,416,983.25
Accounts received in advance	488,485,969.23	349,784,807.32
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	209,967,816.03	279,631,258.71
Taxes and fares payable	108,291,042.16	92,097,951.90
Interest payable	19,879,726.55	20,552,763.14
Dividends payable		
Other accounts payable	1,760,818,005.02	1,550,931,573.35
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 one year	257,460,261.07	573,398,959.65
Other current liabilities		
Total current liabilities	10,424,741,573.84	10,926,764,350.14
Non-current liabilities:		
Long-term borrowings		23,700,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable	30,133,333.37	30,133,333.37
Long-term payroll payable	22,145,514.42	23,435,856.86
Special payables		
Estimated liabilities	4,629,554.61	4,629,554.61
Deferred income	146,936,143.12	162,786,004.20
Deferred income tax liabilities	2,737,710.64	3,468,031.97
Other non-current liabilities		
Total non-current liabilities	206,582,256.16	248,152,781.01
Total liabilities	10,631,323,830.00	11,174,917,131.15
Owners' equity:		

Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserves	78,209,535.19	78,209,535.19
Less: Treasury stock		
Other composite income	3,779,702.73	3,155,744.00
Special reserves		
Surplus reserves	847,908,466.28	847,908,466.28
Provisions for general risks		
Retained profit	-514,406,733.00	-522,836,282.66
Total equity attributable to owners of the Company	2,823,436,379.20	2,814,382,870.81
Minority interests	155,426,279.11	261,067,546.32
Total owners' equity	2,978,862,658.31	3,075,450,417.13
Total liabilities and owners' equity	13,610,186,488.31	14,250,367,548.28

Legal representative: Liu Fengxi Person-in-charge of the accounting work: Xiao Qing

Chief of the accounting division: Xu Youshan

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	754,411,345.67	502,899,530.83
Financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period	2,044,570.72	7,184,035.29
Derivative financial assets		
Notes receivable	2,553,298,534.06	2,635,643,772.62
Accounts receivable	1,629,253,656.26	1,417,915,276.56
Accounts paid in advance	490,113,729.75	372,509,871.77
Interest receivable	4,109,915.45	14,901,123.48
Dividends receivable		

Other accounts receivable	1,075,767,032.07	938,447,798.08
Inventories	1,777,982,029.54	1,771,302,947.50
Assets held for sale		
Non-current assets due within one year		
Other current assets	83,161,470.67	530,272,796.83
Total current assets	8,370,142,284.19	8,191,077,152.96
Non-current assets:		
Available-for-sale financial assets	271,916,097.66	271,924,282.66
Held-to-maturity investments	300,000,000.00	352,000,000.00
Long-term accounts receivable		
Long-term equity investments	1,627,810,176.91	1,621,195,118.22
Investment property	226,310,359.96	227,718,178.53
Fixed assets	507,848,055.38	512,933,612.51
Construction in progress	12,826,818.24	12,619,010.21
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	86,989,350.36	88,336,594.02
R&D expense		
Goodwill		
Long-term deferred expenses	55,353,011.68	57,865,790.98
Deferred income tax assets	499,074,051.01	504,252,794.29
Other non-current assets		
Total non-current assets	3,588,127,921.20	3,648,845,381.42
Total assets	11,958,270,205.39	11,839,922,534.38
Current liabilities:		
Short-term borrowings	1,951,820,915.75	1,022,612,362.58
Financial liabilities measured at fair value with fair value changes included in the profit and loss for the Reporting Period	12,790,421.26	
Derivative financial liabilities		
Notes payable	1,116,026,125.08	377,002,860.08

Accounts payable	3,443,966,344.64	5,173,897,087.35
Accounts received in advance	233,953,804.38	251,204,710.89
Payroll payable	104,134,094.00	118,684,992.99
Taxes and fares payable	33,084,018.49	31,360,675.68
Interest payable	9,524,472.29	7,761,519.53
Dividends payable		
Other accounts payable	1,856,399,366.13	1,667,884,936.14
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	8,761,699,562.02	8,650,409,145.24
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Special payables		
Estimated liabilities	4,629,554.61	4,629,554.61
Deferred income	85,146,963.84	88,668,785.51
Deferred income tax liabilities	1,802,358.02	1,935,167.63
Other non-current liabilities		
Total non-current liabilities	91,578,876.47	95,233,507.75
Total liabilities	8,853,278,438.49	8,745,642,652.99
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserves	46,505,607.34	46,505,607.34
Less: Treasury stock		
Other composite income	1,801,377.77	1,803,252.77
Special reserves		

Surplus reserves	847,908,466.28	847,908,466.28
Retained profit	-199,169,092.49	-209,882,853.00
Total owners' equity	3,104,991,766.90	3,094,279,881.39
Total liabilities and owners' equity	11,958,270,205.39	11,839,922,534.38

3. Consolidated income statement

Unit: RMB

Item	January-March 2016	January-March 2015
1. Operating revenues	4,072,311,262.92	4,569,152,230.30
Including: Sales income	4,072,311,262.92	4,569,152,230.30
Interest income		
Premium income		
Handling charge and commission income		
2. Total operating costs	4,087,027,057.79	4,578,328,053.63
Including: Cost of sales	3,295,207,195.04	3,861,908,737.54
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserves		
Expenditure on policy dividends		
Reinsurance premium		
Business tax and surtaxes	30,983,026.43	13,913,541.44
Selling expenses	581,981,228.20	479,744,466.36
Administrative expenses	128,846,125.87	146,226,312.63
Financial costs	49,908,929.45	76,551,299.57
Asset impairment loss	100,552.80	-16,303.91
Add: Profit/loss on fair value changes ("-" means loss)	-48,325,831.76	
Profit/loss on investment ("-" means loss)	-1,304,925.71	2,877,685.83
Including: Share of profit in associates and joint ventures	-4,870,387.27	543,200.00

Foreign exchange profit (“-” means loss)		
3. Operating profit (“-” means loss)	-64,346,552.34	-6,298,137.50
Add: Non-operating income	95,656,195.94	39,220,480.97
Including: Profit on disposal of non-current assets		
Less: Non-operating expense	1,657,321.74	1,158,584.02
Including: Loss on disposal of non-current assets	435,798.87	598,558.94
4. Total profit (“-” means loss)	29,652,321.86	31,763,759.45
Less: Corporate income tax	15,988,231.88	27,370,944.43
5. Net profit (“-” means loss)	13,664,089.98	4,392,815.02
Net profit attributable to owners of the Company	8,429,549.66	7,752,441.61
Minority shareholders’ income	5,234,540.32	-3,359,626.59
6. After-tax net amount of other composite income	475,840.930	403,940.870
After-tax net amount of other composite income attributable to owners of the Company	623,958.730	73,744.349
6.1 Other composite income that will not be reclassified into profit and loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Enjoyable share in other comprehensive income in investees that cannot be reclassified into profit and loss under the equity method		
6.2 Other composite income that will be reclassified into profit and loss	623,958.730	73,744.349
6.2.1 Enjoyable share in other composite income in investees that will be reclassified into profit and loss under the equity method		
6.2.2 Profit and loss on fair value changes of available-for-sale financial assets	-1,875.000	-7,038.610
6.2.3 Profit and loss on		

reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective hedging profit and loss on cash flow		
6.2.5 Foreign-currency financial statement translation difference	625,833.730	80,782.959
6.2.6 Other		
After-tax net amount of other composite income attributable to minority shareholders	-148,117.800	330,196.52
7. Total composite income	14,139,930.91	4,796,755.89
Attributable to owners of the Company	9,053,508.39	7,826,185.96
Attributable to minority shareholders	5,086,422.52	-3,029,430.07
8. Earnings per share		
8.1 Basic earnings per share	0.0035	0.0032
8.2 Diluted earnings per share	0.0035	0.0032

Where business mergers under the same control occurred in the Reporting Period, net profit achieved by the merged parties before the business mergers was RMB0.00, with the corresponding amount for the same period of last year being RMB0.00.

Legal representative: Liu Fengxi
 accounting work: Xiao Qing

Person-in-charge of the

Chief of the accounting division: Xu Youshan

4. Income statement of the Company

Unit: RMB

Item	January-March 2016	January-March 2015
1. Operating revenues	3,854,840,193.45	4,320,013,488.31
Less: Operating costs	3,347,575,734.55	3,822,425,311.86
Business tax and surtaxes	18,102,003.16	8,117,551.03
Selling expenses	439,392,583.89	358,082,362.12
Administrative expenses	67,824,174.31	75,480,708.43
Financial costs	25,796,188.79	1,880,584.76
Asset impairment loss		

Add: profit/loss on fair value changes (“-” means loss)	-17,929,885.83	
Profit/loss on investment (“-” means loss)	5,058,973.00	1,079,985.14
Including: Income from investment on associates and joint ventures	-1,400,941.31	
2. Operating profit (“-” means loss)	-56,721,404.08	55,106,955.25
Add: Non-operating income	72,920,014.47	29,640,663.70
Including: Profit on disposal of non-current assets		
Less: Non-operating expense	438,291.21	585,916.73
Including: Loss on disposal of non-current assets	17,639.35	492,439.54
3. Total profit (“-” means loss)	15,760,319.18	84,161,702.22
Less: Corporate income tax	5,046,558.67	20,428,672.64
4. Net profit (“-” means loss)	10,713,760.51	63,733,029.58
5. After-tax net amount of other composite income	-1,875.000	-7,038.610
5.1 Other composite income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Enjoyable share in other composite income in investees that cannot be reclassified into profit and loss under the equity method		
5.2 Other composite income that will be reclassified into profit and loss	-1,875.000	-7,038.610
5.2.1 Enjoyable share in other composite income in investees that will be reclassified into profit and loss under the equity method		
5.2.2 Profit and loss on fair value changes of available-for-sale financial assets	-1,875.000	-7,038.610
5.2.3 Profit and loss on reclassifying held-to-maturity investments into available-for-sale		

financial assets		
5.2.4 Effective hedging profit and loss on cash flow		
5.2.5 Foreign-currency financial statement translation difference		
5.2.6 Other		
6. Total composite income	10,711,885.51	63,725,990.97
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	January-March 2016	January-March 2015
1. Operating cash flow:		
Cash received from sale of commodities and rendering of service	4,128,537,310.84	4,304,120,204.92
Net increase in money deposits from customers and inter-bank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period		
Cash received from interest, handling charges and commissions		
Net increase in loans from banks and other financial institutions		
Net increase in funds in		

repurchase business		
Tax refunds received	118,489,827.76	122,737,100.94
Other operating cash received	100,254,946.62	92,724,628.19
Subtotal of operating cash inflow	4,347,282,085.22	4,519,581,934.05
Cash paid for goods and services	3,061,319,272.92	3,322,914,131.71
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and inter-bank placements		
Cash for paying claims of original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	472,208,935.22	487,672,449.52
Taxes and fares paid	236,824,221.56	155,040,386.50
Other cash payment relating to operating activities	281,683,913.71	276,593,316.95
Subtotal of operating cash outflow	4,052,036,343.41	4,242,220,284.68
Net operating cash flow	295,245,741.81	277,361,649.37
2. Investment cash flow:		
Cash received from retraction of investments	16,140.00	20,170,536.85
Cash received from return on investments	9,635,784.93	7,595,434.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	112,952.43	180,987.50
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investment activities	1,020,011,000.00	550,500,000.00
Subtotal of investment cash inflow	1,029,775,877.36	578,446,959.28
Cash paid to acquire fixed assets, intangible assets and other long-term assets	21,789,341.60	73,752,961.97
Cash paid for investment	10,455.00	60,610,000.00
Net increase in pledged loans		
Net cash paid to acquire		

subsidiaries and other business units		
Other cash payments relating to investment activities	498,374,070.44	550,150,000.00
Subtotal of investment cash outflow	520,173,867.04	684,512,961.97
Net investment cash flow	509,602,010.32	-106,066,002.69
3. Financing cash flow:		
Cash received from capital contributions	4,900,000.00	69,408,631.07
Including: Cash received from minority shareholder investments by subsidiaries	4,900,000.00	69,408,631.07
Cash received as borrowings	402,000,000.00	1,325,704,590.05
Cash received from issuance of bonds		
Other financing cash received	717,390,962.65	118,098,914.34
Subtotal of financing cash inflow	1,124,290,962.65	1,513,212,135.46
Repayment of borrowings	1,652,225,338.64	1,404,925,078.41
Cash paid for interest expenses and distribution of dividends or profit	16,401,232.21	40,634,577.65
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	18,138,337.59	121,682,102.37
Sub-total of financing cash outflow	1,686,764,908.44	1,567,241,758.43
Net financing cash flow	-562,473,945.79	-54,029,622.97
4. Effect of foreign exchange rate changes on cash and cash equivalents	-3,722,947.81	-37,073,373.72
5. Net increase in cash and cash equivalents	238,650,858.53	80,192,649.99
Add: Opening balance of cash and cash equivalents	1,488,154,851.35	1,640,236,837.08
6. Closing balance of cash and cash equivalents	1,726,805,709.88	1,720,429,487.07

6. Cash flow statement of the Company

Unit: RMB

Item	January-March 2016	January-March 2015
1. Operating cash flow:		
Cash received from sale of	3,339,394,183.83	3,718,414,073.90

commodities and rendering of service		
Tax refunds received	77,823,014.80	42,946,819.67
Other operating cash received	189,560,391.00	214,398,614.69
Subtotal of operating cash inflow	3,606,777,589.63	3,975,759,508.26
Cash paid for goods and services	3,160,511,022.15	3,285,785,906.80
Cash paid to and for employees	267,788,226.72	269,023,634.05
Taxes and fares paid	156,747,638.23	67,107,627.22
Other operating cash payments	417,545,747.64	361,524,255.40
Subtotal of operating cash outflow	4,002,592,634.74	3,983,441,423.47
Net operating cash flow	-395,815,045.11	-7,681,915.21
2. Investment cash flow:		
Cash received from retraction of investments	5,685.00	5,278,509.85
Cash received from return on investments	17,509,465.52	11,517,815.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	110,602.00	101,987.50
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investment activities	1,122,000,000.00	570,000,000.00
Subtotal of investment cash inflow	1,139,625,752.52	586,898,312.75
Cash paid to acquire fixed assets, intangible assets and other long-term assets	2,400,854.44	14,014,990.30
Cash paid for investment	8,016,000.00	182,610,000.00
Net cash paid to acquire subsidiaries and other business units		
Other investment cash payments	570,030,000.00	622,000,000.00
Subtotal of investment cash outflow	580,446,854.44	818,624,990.30
Net investment cash flow	559,178,898.08	-231,726,677.55
3. Financing cash flow:		
Cash received from capital contributions		
Cash received as borrowings	402,000,000.00	
Cash received from issuance of bonds		

Other financing cash received		118,098,914.34
Subtotal of financing cash inflow	402,000,000.00	118,098,914.34
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	2,671,625.00	
Other cash payments relating to financing activities	310,717,730.59	119,643,450.94
Sub-total of financing cash outflow	313,389,355.59	119,643,450.94
Net financing cash flow	88,610,644.41	-1,544,536.60
4. Effect of foreign exchange rate changes on cash and cash equivalents	-462,682.54	-2,734,551.47
5. Net increase in cash and cash equivalents	251,511,814.84	-243,687,680.83
Add: Opening balance of cash and cash equivalents	478,267,624.53	991,459,790.62
6. Closing balance of cash and cash equivalents	729,779,439.37	747,772,109.79

II Auditor's report

Is this Report audited?

Yes No

This Report is not audited.

The Board of Directors

Konka Group Co., Ltd.

28 April 2016