

KONKA GROUP CO., LTD.

ANNUAL REPORT 2016

2017-09

March 2017

Section I Important Statements, Contents and Definitions

The board of directors (the “Board”), the supervisory board (the “Supervisory Board”), as well as the directors, supervisors and executive officers of Konka Group Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

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

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

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

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

This Annual Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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Definitions

Term	Definition
Company, the Company, the Group	Konka Group Co., Ltd.
Telecommunication Technology	Shenzhen Konka Telecommunications Technology Co., Ltd.
Konka Household Appliances	Shenzhen Konka Household Appliances Co., Ltd.
Plastic Products	Shenzhen Konka Plastic Products Co., Ltd.
Electrical Appliances	Shenzhen Konka Electrical Appliances Co., Ltd.
Fittings Technology	Shenzhen Konka Electronic Fittings Technology Co., Ltd.
Mudanjiang Appliances	Mudanjiang Arctic Ocean Appliances Co., Ltd.
Chongqing Qingjia	Chongqing Qingjia Electronics Co., Ltd.
Anhui Konka	Anhui Konka Electronic Co., Ltd.
Anhui Household Appliances	Anhui Konka Household Appliances Co., Ltd.
Kunshan Konka	Kunshan Konka Electronic Co., Ltd.
Dongguan Konka	Dongguan Konka Electronic Co., Ltd.
Dongguan Packing	Dongguan Konka Packing Materials Co., Ltd.
Boluo Konka	Boluo Konka PCB Co., Ltd.
Boluo Konka Precision	Boluo Konka Precision Technology Co., Ltd.
Hong Kong Konka	Hong Kong Konka Co., Ltd.
Konka Household Appliances Investment	Konka Household Appliances Investment & Development Co., Ltd.
Konka Household Appliances International Trading	Konka Household Appliances International Trading Co., Ltd.
Konka Europe	Konka (Europe) Co., Ltd.
Konka Factoring	Konka Factoring (Shenzhen) Co., Ltd.
Wankaida	Shenzhen Wankaida Science and Technology Co., Ltd.
Kunshan Kangsheng	Kunshan Kangsheng Investment Development Co., Ltd.
Anhui Tongchuang	Anhui Konka Tongchuang Household Appliances Co., Ltd.
Indonesia Konka	Indonesia Konka Electronics Co., Ltd.
Shushida Logistics	Shenzhen Shushida Logistics Service Co., Ltd.
Beijing Konka Electronic	Beijing Konka Electronic Co., Ltd.
Konka E-display	Shenzhen Konka E-display Co., Ltd.
E-display Service	Shenzhen E-display Service Co., Ltd.
Xiamen Dalong	Xiamen Dalong Trading Co., Ltd.
Youshi Kangrong	Youshi Kangrong Culture Communication Co., Ltd.
Kangqiao Jiacheng	Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.
Konka SmartTech	Konka SmartTech Limited
Kaikai Shijie	Anhui Kaikai Shijie E-commerce Co., Ltd.
Yipingfang	Shenzhen Yipingfang Network Technology Co., Ltd.
Mobile Interconnection	Shenzhen Konka Mobile Interconnection Technology Co., Ltd.

Commercial System Technology		Shenzhen Konka Commercial System Technology Co., Ltd.
Zhongkang Supply Chain		Zhongkang Supply Chain Management Co., Ltd.
Kangqiao Easy Chain		Shenzhen Kangqiao Easy Chain Technology Co., Ltd.
Yilifang		Yilifang (Hainan) Technology Co., Ltd.
Konka Technology & Industry Development		Chuzhou Konka Technology & Industry Development Co., Ltd.
CSRC		China Securities Regulation Commission
SZSE		Shenzhen Stock Exchange
CSRC Shenzhen Bureau		Shenzhen Bureau of China Securities Regulation Commission
Yuan, Ten thousand Yuan, One Hundred Million Yuan		RMB, RMB Ten thousand, RMB One Hundred Million Yuan

Section II Corporate Profile and Financial Results

I Corporate information

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

II Contact information

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

III Information disclosure and place where this Report is kept

Newspapers designated by the Company for information disclosure	Securities Times, etc.
Website designated by the China Securities Regulatory Commission (CSRC) for the	www.cninfo.com.cn

publication of this Report	
Place where this Report is kept	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

IV Company registration and alteration

Credibility code	914403006188155783
Changes in main business activities of the Company after going public (if any)	No changes
Changes of controlling shareholder (if any)	No changes

V Other information

The CPAs firm hired by the Company

Name	Ruihua Certified Public Accountants (LLP)
Office address	5-11F, West Tower, China Overseas Property Plaza, Building No. 7, Compound No. 8, Xibinhe Road, Yongding Men, Dongcheng District, Beijing, P.R.C.
Accountants writing signatures	Tang Qimei, Shen Lingzhi

Sponsor engaged by the Company to continuously perform its supervisory function during this Reporting Period

☐ Applicable ☒ Not applicable

Financial advisor engaged by the Company to continuously perform its supervisory function during this Reporting Period

☐ Applicable ☒ Not applicable

VI Accounting and financial results

Indicate by tick mark 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

	2016	2015	+/-%	2014
Operating revenues (RMB)	20,299,348,136.21	18,395,177,035.98	10.35%	19,423,488,994.07
Net profit attributable to shareholders of the Company (RMB)	95,673,028.03	-1,256,819,314.51	107.61%	52,623,527.86
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	-283,460,349.24	-1,129,999,645.94	74.92%	-475,481,381.45
Net cash flows from operating	-983,256,602.23	1,289,600,482.66	-176.25%	-640,385,182.05

activities (RMB)				
Basic earnings per share (RMB/share)	0.0397	-0.52	107.63%	0.02
Diluted earnings per share (RMB/share)	0.0397	-0.52	107.63%	0.02
Weighted average return on equity (%)	3.35%	-36.30%	39.65%	1.28%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014
Total assets (RMB)	17,243,119,597.97	14,250,367,548.28	21.00%	16,779,359,276.65
Net assets attributable to shareholders of the Company (RMB)	2,901,481,607.04	2,814,382,870.81	3.09%	4,103,478,971.07

VII Differences in accounting data under domestic and foreign accounting standards

(I) Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and international accounting standards

☐ Applicable ☒ Not applicable

No such differences for this Reporting Period.

(II) Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and foreign accounting standards

☐ Applicable ☒ Not applicable

No such differences for this Reporting Period.

VIII Financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	4,072,311,262.92	4,536,769,559.32	6,008,160,392.02	5,682,106,921.95
Net profit attributable to shareholders of the Company	8,429,549.66	4,405,187.10	-57,165,694.07	140,003,985.34
Net profit attributable to shareholders of the Company before exceptional profit and loss	27,524,586.04	-56,260,733.24	-93,347,364.40	-161,376,837.63
Net cash flows from operating activities	295,245,741.81	-420,787,798.23	-285,036,494.71	-572,678,051.10

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

☐ Yes ☒ No

IX Exceptional profit/loss

☒ Applicable ☐ Not applicable

Unit: RMB

Item	2016	2015	2014	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	242,932,907.65	-16,096,434.80	587,454,101.18	
Government grants charged to the profit/loss for this 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)	113,350,808.96	71,499,330.11	75,401,093.20	
Profit/loss on entrusting others with investments or asset management	70,849,063.30	20,419,318.35	12,260,439.18	
Asset impairment provisions due to acts of God such as natural disasters	0	-144,808,654.70	0	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment income from disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effective hedges related to routine operations of the Company	17,953,552.28	32,627,480.23	0	
Impairment provision reversal for accounts receivable on which the impairment test is carried out separately	707,777.79	3,550,666.66		
Profit/loss on entrusted loans	22,934,301.50	-104,311,044.28	16,207,940.59	
Non-operating income and expense other than the above	168,175.52	-419,240.74	-151,895.48	
Other profit/loss that meet the definition of exceptional profit/loss	78,609,375.35	-14,549,153.86	158,734,972.90	
Less: Corporate income tax	11,153,834.38	3,830,243.26	4,331,796.46	
Minority interests (after tax)	379,133,377.27	-126,819,668.57	528,104,909.31	
Total	400,491,687.22	-126,819,668.57	528,104,909.31	--

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

☒ Applicable ☐ Not applicable

Item	Amount involved (RMB)	Reason
Tax rebates on software	121,451,535.04	Government grants closely related to the Company's normal operation and constantly given at certain quotas or amounts according to the government's policies and standards

Section III Business Profile

I Main business scope for this Reporting Period

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

No.

The Company is currently engaged in color TVs, mobile phones and white goods, with its main business models and the situations of its business divisions as follows:

(I) Color TVs

The Company provides color TVs for both domestic, overseas markets and the internet business

The domestic sales of its color TVs are realized mainly through B2B (Business-to-Business) and B2C (Business-to-Consumer), with its branch companies, business departments and after-sales maintenance points all over the country. And it profits from the margin between the costs and the selling prices of its color TVs.

As for the overseas sales, it mainly relies on B2B and is supported by B2C. The color TVs of the Company are sold to Asia Pacific, Middle East, Central & South America, East Europe, etc. And the profit also comes from the difference between the costs and the selling prices of its color TVs.

The basis of internet business is the smart TV terminal sold by us. We will cooperate with other internet companies and obtain the benefits by providing the users with video, education, music, medical treatment, games and other services; then increase the adhesiveness of users, publicize the brand and increase the sales opportunities of hardware by providing part of public welfare and interactive services based on the analysis of user behavior data to; finally establish ten million-level user platform and obtain the benefits via advertisement and application distribution. The internet business is essential for our internet transformation and the upgrade of development modes -- “hardware + software” and “terminal + user”.

(II) Mobile phones

The mobile phones of the Company are sold domestically and overseas. The overseas sales mainly rely on B2B and the profit comes from the margin between the costs and the selling prices of the mobile phones. As for the domestic sales of its mobile phones, the Company mainly relies on the telecom operator channel in the recent years. But it has also restarted the retail sales (through B2B and B2C) of its mobile phones in the domestic market since August 2015. It has been active in breaking into the rural markets. And its successful launch of new products in the domestic retail market marks a good start in the domestic retail sales of its mobile phones. In the domestic sales of its mobile phones, the Company profits mainly from the costs and the selling prices of its products, with a small amount from the value added service.

(III) White goods

The white goods produced by the Company mainly include refrigerators, washing machines, air conditioners, freezers, etc., which are sold through B2B and B2C to the domestic market. And the Company profits from the margin between the costs and the selling prices of its white goods.

II Significant changes in main assets

(I) Significant changes in main assets

Main asset	Reason for any significant change
Equity assets	Investment on long-term equity assets in the Reporting Period showed a 62.48% year-on-year increase, and main reasons were as below – On 31 Dec. 2015, the Company's subsidiary, Konka Household Appliances Investment signed agreement with Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd. Since 1 Jan. 2016, Dingshengxin Mould Technology Consultation Co., Ltd. no longer entrusted Konka Household Appliances Investment to manage its holding of 6.18% shares of Precision Mold, and since 1 Jan. 2016, the Precision Mold and its subsidiaries (Kunshan Jielunte Mould Plastic Co., Ltd, Dongguan Xuda Mould Plastic Co., Ltd., Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd. and Dongguan Konka Mould Plastic Co., Ltd.), would be excluded from consolidated statements scope.
Fixed assets	Fixed assets as at the end of the Reporting Period decreased by 10.75% as compared with last year, of which the main reason was the same as above.
Intangible assets	Intangible assets as at the end of the Reporting Period decreased by 14.34% as compared with last year, of which the main reason was the same as above.
Construction in progress	Construction in progress as at the end of the Reporting Period increased by 51.81% as compared with last year, which was mainly caused by the commencement of construction of the Kunshan Zhouzhuang Project Phase III of the Company.

(II) Main assets overseas

☐ Applicable ☒ Not applicable

III Core competitiveness analysis

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

No.

The Company's 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.

Section IV Performance Discussion and Analysis

I Overview

(I) Operating results of this Reporting Period

For this Reporting Period, the Company achieved consolidated operating revenues of RMB20.299 billion, up 10.35% from the prior year. And the net profits attributable to the shareholders of the Company stood at RMB0.096 billion. The main reasons are as follows:

(I) In 2016, the Company positively integrated resources, thoroughly planned to improve the capability of R&D, manufacturing, and supply chain of main businesses, and simultaneously and positively adjusted the product layout and marketing strategies based on market status, which improved the sales structure of the Company's main businesses and accelerated the inventory turnover speed in the Reporting Period, leading to the better profitability of main businesses.

(II) In 2016, the Company put forth effort into 5 systems including payment and settlement, user operation, big data, advertisements, and UI (user interface), and made breakthroughs in the profitability of smart TV's operation by providing users with professional and high-quality internet content service.

(III) In 2016, via positive clearing-up and adjustment, the Company made the business layout more rational, the thoughts more clear, and the resources and energy more concentrated, and as a result, stabilized the Company's backbone team, and rose up employees' morale.

(IV) The amount of non-recurring profit and loss in 2015 was RMB-127 million, but it turned to be RMB379 million in 2016, of which the profit of RMB220 million was mainly due to the equity of Shenzhen Refund Optoelectronics Co., Ltd. partially lessened by the Company.

(II) Business highlights in 2016

In 2016, the Company conquered adverse factors such as fierce industry competitions and sharply increased raw material prices, and made up the deficits and got surpluses through all staffs' common efforts, and made the profit back to the rising channel. Business highlights of the Company in 2016 were as below:

1. Business performance turned around

In 2016, the Company overcame difficulties and ceased to lose and began to turn out a profit. For this Reporting Period, the Company achieved consolidated operating revenues of RMB20.299 billion, up 10.35% from the prior year. And the net profits attributable to the shareholders of the Company stood at RMB0.096 billion.

2. Breakthroughs in mechanism reform

In 2016, the Company confirmed the reform thoughts of setting the target as establishing an operating system and mechanism that should be highly competitive, fully marketized, and matched with the industry, and the Company correspondingly made breakthroughs:

Firstly, reformation was successfully conducted in the Company's business of small household appliances. Strategic investors were introduced while employees' shares were still held.

Secondly, strategic investors were introduced to the Company's data network business (for example, the set top box).

Thirdly, the scheme of reforming the mixed ownership mechanism for the internet e-commerce business has been basically confirmed, and related work is being positively carried forward.

Fourthly, the Company creatively started to publicize and marketize the recruitment of the Company's senior management team, and formally engaged the new senior management team on 10 Mar. 2017.

3. Business transformation achieved preliminary results

In 2016, the Company started to formally upgrade and transfer its development pattern from single hardware terminal to hardware plus software and terminal plus user. Except for selling out products, the Company developed software service, as well as operation in respect of users.

4. The quality of business operation was improved

In 2016, core businesses of the Company were adjusted and cleared up, and the overall operation status was approaching to a better condition.

In respect of color TV, the guidance of "consolidating scale and improving structure" confirmed in the beginning of 2016 played its role. The Company adjusted product planning, intensified the capability construction for channel and terminal, and the major highlights were as below:

1. Gross margin rose up. Through rational product planning, the Company improved the sales structure of products while accelerating the product promotion speed, and made the gross margin increased.
2. Quality was steadily improved. The Company ensured the steady improvement of product quality by establishing the mechanism of prevention against abnormal process and quality to advance quality management, ensuring the effective operation of the quality management system, and deeply developing quality improvement activities.
3. Manufacturing efficiency was sharply improved. On one hand, the Company effectively mobilized the operation sense and enthusiasm of the grass-roots employees by promoting the system for contracted responsibility in production line. On the other hand, the Company accomplished the construction of 2 smart manufacturing and production lines, directly pushing forward the improvement of production efficiency.

4. The business scale of color TV for export sales was improved. Despite the rapidly rising cost, the shipment of complete machines increased by 30% as compared with last year, which was mainly caused by the Company's measures of consolidating existing clients, vigorously enlarging blank markets, as well as adjusting marketing strategies.

In terms of white household appliances – On one hand, the Company sharply improved gross margin and achieved benefits with a year-on-year income increase of 8.41% by product upgrade. On the other hand, a large scope of improvement was realized in white household appliances, and the sales revenue achieved a sharp year-on-year increase.

In terms of handset business – In the face of fierce competitions in handset industry, the Company obtained sales growth in handset business by continuous innovation on channel management, enhancing product R&D, as well as the promotion of key models of E1, S1, R3, and so on. In 2016, revenue of handset business realized a year-on-year increase of 22.67%.

In terms of internet business – Not only material breakthroughs were made in smart TV operation. On one hand, the Company set up 5 systems including payment and settlement, user operation, big data, advertisements, and UI (user interface), and constructed the business system, organization, structure, and commercial mode supportable to rapid business development, laying a solid foundation for the Company's development of internet business. On the other hand, the Company basically accomplished the commercial mode construction for smart TV user operation. For example, as for business cooperation, the Company adopted two ways of open cooperation and independent operation, strategically cooperated with IQiyi, Tencent Video, and so on, and continuously set layout in areas covering application distribution, games, education, VR, music, health, etc.

II Analysis of main business

(I) Overview

See "I Overview" in "Performance Discussion and Analysis".

(II) Revenues and costs

1. Breakdown of operating revenues

Unit: RMB

	2016		2015		+/-%
	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)	

Operating revenues	20,299,348,136.21	100%	18,395,177,035.98	100%	10.35%
By business segment					
Electronics	17,167,313,167.21	84.57%	17,261,298,403.20	93.84%	-0.54%
Others	3,132,034,969.00	15.43%	1,133,878,632.78	6.16%	176.22%
By product					
Color TVs	12,478,427,986.35	61.47%	12,590,931,785.71	68.45%	-0.89%
White goods	1,701,770,760.58	8.38%	1,569,786,771.56	8.53%	8.41%
Mobile phones	970,287,086.42	4.78%	790,942,197.54	4.30%	22.67%
Others	5,148,862,302.86	25.36%	3,443,516,281.17	18.72%	49.52%
By geographical segment					
Domestic	14,282,697,744.63	70.36%	12,466,005,969.45	67.77%	14.57%
Overseas	6,016,650,391.58	29.64%	5,929,171,066.53	32.23%	1.48%

2. Business segments, products or geographical segments contributing over 10% of the operating revenues or profit

√ Applicable □ Not applicable

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

No.

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%
By business segment						
Electronics	17,167,313,167.21	14,622,628,859.55	14.82%	-0.54%	-2.64%	1.84%
By product						
Color TVs	12,478,427,986.35	10,729,196,625.12	14.02%	-0.89%	-2.52%	1.43%
By geographical segment						
Domestic	14,282,697,744.63	11,893,157,869.41	16.73%	14.57%	26.11%	-7.62%
Overseas	6,016,650,391.58	5,625,172,473.58	6.51%	1.48%	0.65%	0.77%

Main business data of the prior year restated according to the changed statistical caliber for this Reporting Period

□ Applicable √ Not applicable

3. Whether revenue from physical sales is higher than service revenue√ Yes ☐ No

Business segment	Item	Unit	2016	2015	+/-%
Electronics	Sales volume	0,000 units	1219	1,136	7.31%
	Output volume	0,000 units	983	914	7.55%
	Inventory	0,000 units	127	129	-1.55%

Reason for any over 30% YoY movements in the data above

√ Applicable ☐ Not applicable**4. Execution progress of major signed sales contracts in this Reporting Period**☐ Applicable √ Not applicable**5. Breakdown of operating costs**

By product

Unit: RMB

Product	Item	2016		2015		+/-%
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Color TVs	Color TVs	10,729,196,625.12	61.25%	11,006,357,581.37	68.55%	-2.52%
White goods	White goods	1,354,850,701.01	7.73%	1,276,893,910.52	7.95%	6.11%
Mobile phones	Mobile phones	888,167,026.43	5.07%	748,974,690.95	4.66%	18.58%
Others	Others	4,546,115,990.43	25.95%	3,023,271,002.78	18.84%	50.37%

Notes:

6. Changes in the scope of the consolidated financial statements for this Reporting Period√ Yes ☐ No

(1) Disposal of the subsidiaries

① On 31 May. 2016, the Company written off Changshu Konka Electronic Co., Ltd.. Since then,

the Company no more included it in the consolidated scope.

② On 3 Jan. 2016, the Company written off KONKA AMERICA, INC., Since then, the Company no more included it in the consolidated scope.

③ On 1 Nov. 2016, the Company listed the transfer of 51% equity of Shenzhen Konka Information Network Co., Ltd.. Since then, the Company no more included it in the consolidated scope.

(2) Changes of the consolidated scope of other reasons

① On 31 Dec. 2015, the Company's subsidiary, Konka Household Appliances Investment signed agreement with Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd. Since 1 Jan. 2016, Dingshengxin Mould Technology Consultation Co., Ltd. no longer entrusted Konka Household Appliances Investment to manage its holding of 6.18% shares of Precision Mold, and since 1 Jan. 2016, the Precision Mold and its subsidiaries (Kunshan Jielunte Mould Plastic Co., Ltd, Dongguan Xuda Mould Plastic Co., Ltd., Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd. and Dongguan Konka Mould Plastic Co., Ltd.), would be excluded from consolidated statements scope.

② On 17 Jul. 2016, the Company set up Zhongkang Supply Chain Management Co., Ltd. with nature person Wu Guoren and Xiao Yongsong, with registered capital of USD1.5 million, of which Konka Group invested cash USD765,000, and held 51% equity, Wu Guoren invested cash USD375,000, and held 25% equity, and Xiao Yongsong invested cash USD360,000, and held 24% equity. The Company owned the controlling right, and included it into consolidated scope since 15 Jul. 2016.

③ On 30 Sep. 2016, the Company set up Yilifang (Hainan) Science & Technology Co., Ltd., with registered capital of RMB20 million, 100% invested by the Company. Since 30 Sep. 2016, it was included into the consolidated scope.

④ On 1 Apr. 2016, Shenzhen Konka E-display Co., Ltd., a subsidiary of the Company, funded the setup of its fully owned subsidiary, Shenzhen Kangqiao Yilian Science & Technology Co., Ltd., with registered capital of RMB5 million. As at the balance sheet date, the actual investment was RMB5, 000.00. The Company owned the controlling right, and included it into consolidated scope since 1 Apr. 2016.

⑤ On 31 Oct. 2016, the Company set up the Chuzhou Konka Science & Technology Industry Development Co., Ltd. in Anhui, with registered capital of RMB40 million, 100% invested by the Company. The shareholder should pay the capital before 26 Feb. 2017, and has not actually paid out as at the report issuance date. The Company owned the controlling right, and included it into consolidated scope since 31 Oct. 2016.

7. Major changes in the business, products or services in this Reporting Period

☐ Applicable ☒ Not applicable

8. Main customers and suppliers

Main customers

Total sales to top five customers (RMB)	4,731,230,318.90
Total sales to top five customers as a percentage of the total sales for this Reporting Period (%)	23.31%
Total sales to related parties among top five customers as a percentage of the total sales for this Reporting Period (%)	0

Information about top five customers

No.	Customer	Sales amount (RMB)	As a percentage of the total sales for this Reporting Period (%)
1	Customer 1	1,508,455,484.54	7.43%
2	Customer 2	1,390,625,530.80	6.85%
3	Customer 3	680,316,433.51	3.35%
4	Customer 4	550,883,797.36	2.71%
5	Customer 5	600,949,072.69	2.96%
Total	--	4,731,230,318.90	23.31%

Other information about the main customers

√ Applicable ☐ Not applicable

None of the top five customers were related parties of the Company. And none of the Company's directors, supervisors, executive officers, core technicians, over 5% shareholders, actual controller or any other related parties held equity interests in the major customers, directly or indirectly.

Main suppliers

Total purchases from top five suppliers (RMB)	4,253,121,609.25
Total purchases from top five suppliers as a percentage of the total purchases for this Reporting Period (%)	35.44%
Total purchases from related parties among top five suppliers as a percentage of the total purchases for this Reporting Period (%)	0

Information about top five suppliers

No.	Supplier	Purchase amount (RMB)	As a percentage of the total purchases for this Reporting Period (%)
1	Supplier 1	1,162,437,795.00	9.69%
2	Supplier 2	984,083,817.23	8.20%
3	Supplier 3	765,741,373.64	6.38%
4	Supplier 4	683,232,461.33	5.69%
5	Supplier 5	657,626,162.05	5.48%

Total	--	4,253,121,609.25	35.44%
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Other information about the main suppliers

√ Applicable □ Not applicable

None of the top five suppliers were related parties of the Company. And none of the Company's directors, supervisors, executive officers, core technicians, over 5% shareholders, actual controller or any other related parties held equity interests in the major suppliers, directly or indirectly.

(III) Expense

Unit: RMB

	2016	2015	+/-%	Reason for any significant change
Selling expenses	2,285,998,285.97	2,448,337,549.43	-6.63%	
Administrative expenses	607,579,115.65	695,731,013.59	-12.67%	
Finance costs	154,764,546.12	350,616,323.55	-55.86%	Considerable decrease in exchange loss

(IV) R&D input

√ Applicable □ Not applicable

The R&D expenditure in this Reporting Period was RMB192 million. The Company continued to enhance the R&D input and tried to lay a solid foundation for it to carry out product differentiation through constantly developing new products, studying new techniques, altering the existing equipment and continuously enriching the product varieties and series. Meanwhile, it constantly carried out technical innovation and encouraged suggestions to increase its production efficiency and core competitiveness.

Details about R&D input:

	2016	2015	+/-%
Number of R&D personnel	1,203	1,213	-0.82%
R&D personnel as a percentage in the total employees	6.92%	6.54%	0.38%
R&D input (RMB)	191,650,648.39	229,397,281.19	-16.45%
R&D input as a percentage in operating revenues	0.94%	1.25%	-0.31%
Capitalized R&D input (RMB)	0.00	0.00	0.00%
Capitalized R&D input as a percentage in the total R&D input	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of the R&D input in the operating

revenues

☐ Applicable ☒ Not applicable

Since 1 Jan. 2016, the Precision Mold and its subsidiaries (Kunshan Jielunte Mould Plastic Co., Ltd, Dongguan Xuda Mould Plastic Co., Ltd., Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd. and Dongguan Konka Mould Plastic Co., Ltd.), would be excluded from consolidated statements scope. Therefore, the R&D expenditure of the aforesaid companies was excluded from the consolidated financial statements.

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

☐ Applicable ☒ Not applicable

(V) Cash flows

Unit: RMB

Item	2016	2015	+/-%
Subtotal of cash inflows from operating activities	19,092,835,700.32	19,318,005,896.78	-1.17%
Subtotal of cash outflows due to operating activities	20,076,092,302.55	18,028,405,414.12	11.36%
Net cash flows from operating activities	-983,256,602.23	1,289,600,482.66	-176.25%
Subtotal of cash inflows from investing activities	9,979,263,572.51	3,818,980,972.35	161.31%
Subtotal of cash outflows due to investing activities	9,876,845,908.02	3,970,903,850.94	148.73%
Net cash flows from investing activities	102,417,664.49	-151,922,878.59	167.41%
Subtotal of cash inflows from financing activities	7,172,728,955.54	3,134,261,903.06	128.85%
Subtotal of cash outflows due to financing activities	5,839,979,604.35	4,388,415,298.00	33.08%
Net cash flows from financing activities	1,332,749,351.19	-1,254,153,394.94	206.27%
Net increase in cash and cash equivalents	532,748,093.79	-152,081,985.73	450.30%

Explanation of why the data above varied significantly

√ Applicable □ Not applicable

The increased cash paid for goods and the payment for the land of the Headquarters resulted in the decreased net cash flows from operating activities.

The increased investment income and due wealth management amount resulted in the increased net cash flows from investing activities.

The increased new borrowings and contributions from minority interests resulted in the increased net cash flows from financing activities.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

□ Applicable √ Not applicable

III Analysis of non-core business

√ Applicable □ Not applicable

Unit: RMB

	Amount	As a percentage of total profit (%)	Source/reason	Recurring or not
Investment income	348,445,927.65	1256.35%	Considerable investment income from the sale of Refond stock, as well as increased wealth management income	No
Profit/Loss on fair value changes	-14,617,369.08	-52.70%	Decreased market price of transactional financial assets held by subsidiary	No
Asset impairment	186,776,847.38	673.44%	Price falling provision on inventories upon net realizable value measurement	No
Non-operating revenue	270,828,423.34	976.49%	Governmental subsidies and tax rebates on software	Tax rebates on software are recurring while the others are uncertain
Non-operating expense	10,853,641.54	39.13%		No

IV Analysis of assets and liabilities

(I) Significant changes in the asset composition

Unit: RMB

	December 31, 2016		December 31, 2015		Change in percentage (%)	Reason for any significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	2,617,606,256.42	15.18%	1,706,446,928.92	11.97%	3.21%	
Accounts receivable	2,307,965,548.49	13.38%	2,048,813,439.34	14.38%	-1.00%	
Inventories	4,287,413,944.35	24.86%	2,882,515,913.28	20.23%	4.63%	
Investment property	222,086,904.26	1.29%	227,718,178.53	1.60%	-0.31%	
Long-term equity investments	309,648,120.37	1.80%	190,573,524.29	1.34%	0.46%	
Fixed assets	1,573,978,914.03	9.13%	1,763,503,189.50	12.38%	-3.25%	
Construction in progress	315,536,437.05	1.83%	207,854,180.88	1.46%	0.37%	
Short-term borrowings	6,562,834,226.51	38.06%	4,150,773,195.76	29.13%	8.93%	
Long-term borrowings	70,000,000.00	0.41%	23,700,000.00	0.17%	0.24%	

(II) Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Profit/loss on fair value changes in this Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in this Reporting Period	Purchased in this Reporting Period	Sold in this Reporting Period	Closing balance
Financial assets							
1. Financial assets at fair value through profit/loss (excluding derivative financial assets)	33,196,377.28						252,084,994.12
3.	2,874,068.30		8,547,425.00				55,777,425.00

Available-for-sale financial assets							
Total of the above	36,070,445.58		8,547,425				307,862,419.1
Financial liabilities	0						337,263.13

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

☐ Yes ☒ No

(III) Restricted asset rights as of the end of this Reporting Period

As of the end of this Reporting Period, there were no such circumstances where any main assets of the Company were sealed, distrained, frozen, impawned, pledged, conditionally cashable, not cashable or could not be used for repaying debt.

V. List of the investment

1. Overall condition

☒ Applicable ☐ Not applicable

Investment amount of the Reporting Period (RMB)	Investment amount of the same period of last year (RMB)	Variation amount
231,850,384.41	78,306,112.00	196.08%

2. List of the significant equity investment acquired from the Reporting Period

☐ Yes ☒ No

3. List of the significant non-equity investment has been executing during the Reporting Period

☒ Applicable ☐ Not applicable

Unit: RMB

Project name	Investment mode	Whether it is fixed asset investment	Involved industries of investment	Amount of investment in this Reporting Period	Actually accumulated investment amount by the end of	Fund source	Project progress	Estimated earnings	Accumulative earnings by the end of the Reporting Period	The reason of failing to reach the progress of	Disclosure date (if existing)	Disclosure index (if existing)
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					the Reporti ng Period					plan and estim ated earn ings		
Project of Konka Science and Innovation Center	Self-established	Yes	Electronics industry	0.00	0.00	Self-collected funds	0.00 %	Undetermined	0.00	No	30 Dec. 2016	http://www.cninfo.com.cn/finalpage/2016-12-30/1202973415.PDF
Total	--	--	--	0.00	0.00	--	--	0.00	0.00	--	--	--

4. Investment on the financial assets

(1) List of the securities investment

√ Applicable □ Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement mode	Opening book value	Gain/loss on fair value change in the Reporting Period	Cumulative fair value change recorded into equity	Purchased amount in the Reporting Period	Sold amount in the Reporting Period	Gain/loss for Reporting Period	Closing book value	Accounting title	Source of stock
Domestic and overseas stock	300548	Jouder Precision	7,515	Measured by fair value	0	0	0	7,515	47,448.25	39,933.25	0	Available-for-sale financial assets	Self-owned funds
Domestic and overseas stock	002787	Huayuan Packaging	5,685	Measured by fair value	8,185	0	0	0	21,065.40	15,380.40	0	Available-for-sale financial assets	Self-owned funds
Domestic and overseas stock	3005	Tus-D	10,455	Measured by fair value	0	0	0	10,455	39,778	29,323.	0	Available-for-sale financial assets	Self-owned funds

estic and overs eas stock	00	esign		ed by fair value					. 22	22		-for-sale financial assets	ned funds
Dom estic and overs eas stock	0000 02	Vanke A	2,311,74 8.07	Measur ed by fair value	2, 865 , 883. 30	0	0	0	2, 346, 200	34, 451. 93	0	Available -for-sale financial assets	Self-ow ned funds
Dom estic and overs eas stock	3002 41	Refond Optoele ctronics	243,683, 765.60	Measur ed by fair value	0	-20, 52 1, 800	0	243, 683 , 765. 60	11, 291 , 324. 3 6	319, 508 . 73	212, 190 , 150	Available -for-sale financial assets	Self-ow ned funds
Other securities investment held at the period-end			0	--	0	0	0	0	0	0	0	--	--
Total			246,019, 168.67	--	2, 874 , 068. 30	-20, 52 1, 800	0	243, 701 , 735. 60	13, 745 , 816. 2 3	438, 597 . 53	212, 190 , 150	--	--
Disclosure date of the Board announcement on approval of the securities investment			Not applicable										
Disclosure date of the general meeting announcement on approval of the securities investment (if any)			Not applicable										

(2) List of the derivative financial instruments

√ Applicable □ Not applicable

Source of investment funds	USD financing
Lawsuit (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the investment	24 May 2014
Disclosure date of the announcement about the	10 Jun. 2014

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

Unit: RMB Ten Thousand Yuan

Type of derivative financial instrument	Opening contractual amount	Closing contractual amount	Profit/loss in the Reporting Period	Closing investment amount as a percentage of the Company's closing net assets
Forward forex contract	224, 712. 77	137, 247. 18	2, 424. 21	47. 30%

*Note: Fair value changes of forward forex contracts signed in 2016 generated profit of RMB 000.

5. Use of raised funds☐ Applicable ☒ Not applicable

No such situation of the Company during the Reporting Period.

VI. Selling of the significant assets and the equities

1. List of the selling of the significant assets

☐ Applicable ☒ Not applicable

No such situation of the Company during the Reporting Period.

2. List of the selling of the significant equities

☐ Applicable ☒ Not applicable

VII. Analysis of the major controlling and stock-participating companies

☒ Applicable ☐ Not applicable

List of the stock-participating companies which the influence over 10% of the net profits of the Company by the major subsidiaries

Unit: RMB

Name	Type	Main products or services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Shenzhen Wankaida Science and Technology Co., Ltd.	Subsidiary	Software technology development and maintenance	RMB10000000	442,644,302.61	428,143,182.10	101,362,000.00	91,390,355.03	88,902,815.12
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Subsidiary	Production and sale of refrigerators, washing machines and other household appliances	RMB180000000	992,836,218.84	-6,503,969.08	1,853,307,611.16	10,612,650.38	38,922,393.22
Anhui Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	RMB140000000	1,119,921,701.25	351,732,719.32	6,179,232,216.41	28,443,976.70	64,421,804.56
EnRay Tek Optoelectronics (Shanghai) Co., Ltd.	Joint stock company	Production and sale of LED	USD64196600	1,639,066,288.40	250,847,074.84	207,977,609.60	-144,634,650.67	-80,323,704.62
Shenzhen Konka Telecommunications Technology Co., Ltd.	Subsidiary	Production and sale of mobile communication products & sale of multimedia products	RMB120000000	474,385,953.88	-234,709,762.41	1,035,301,736.36	-329,237.60	9,846,784.05
Kunshan Konka Electronic Co., Ltd.	Subsidiary	Production and sale of TFT-LCM and multimedia	RMB350000000	646,857,383.41	313,270,802.21	2,273,507,169.10	-6,728,717.96	1,261,608.07

		products						
Dongguan Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	RMB266670000	785, 778, 165. 02	637, 195, 715. 82	34, 980, 993. 18	98, 800, 518. 54	82, 194, 724. 90
Hong Kong Konka Co., Ltd.	Subsidiary	Export & import of electromechanical and electronics	HKD500000	1, 539, 004, 276. 07	112, 080, 521. 02	3, 822, 857, 341. 93	60, 674, 120. 47	44, 458, 558. 00

Subsidiaries acquired or disposed during the Reporting Period:

√ Applicable □ Not applicable

Name of subsidiary	Purpose for acquiring or disposing the subsidiary in the Reporting Period	Effect on the overall production and business performance
Changshu Konka Electronic Co., Ltd.	Liquidation	No significant influence on achievement during the Reporting Period
KONKA AMERICA, INC.	Liquidation	
Shenzhen Konka Information Network Co., Ltd.	Transfer 51% stock right	
Shenzhen Konka Precision Mold Manufacturing Co., Ltd. and its subsidiary companies (Kunshan Jielunte Mould Plastic Co., Ltd., Dongguan Xuda Mould Plastic Co., Ltd., Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd., Dongguan Konka Mould Plastic Co., Ltd.)	Subsidiary company Konka Household Appliances Investment & Development Co., Ltd. signed agreement with Shenzhen Dingshengxin Mould Technology Consulting Co., Ltd. on 31 Dec. 2015. From 1 Jan. 2016, Shenzhen Dingshengxin Mould Technology Consulting Co., Ltd. would not entrust Konka Household Appliances Investment & Development Co., Ltd. to manage 6.18% stock right of precise moulds.	
Zhongkang Supply Chain Management Co., Ltd.	Establishment with contribution of capital	
Yilifang (Hainan) Science and Technology Co., Ltd.	Establishment with contribution of capital	
Shenzhen KangQiaoYiLian Science and Technology Co., Ltd.	Establishment with contribution of capital	
Chuzhou Konka Scientific and Technological Industry Development Co., Ltd.	Establishment with contribution of capital	

List of the major controlling stock-participating companies

There was no information of the major controlling stock-participating companies of the Company needed to be disclosed during the Reporting Period.

VIII. List of the structured main bodies controlled by the Company

□ Applicable √ Not applicable

IX. Outlook on future development of the company

In 2017, macro-economic situation and industrial environment will be still not promising. Macro-economic growth is still slow. The structural reform of supply will deepen continuously. The permeation of internet into industry intensifies. The integration of different industries further intensifies. Market competition further deteriorates. Meanwhile, new opportunities will constantly emerge.

The thought of business development in 2017

1. Push forward business transformation

The company will unswervingly upgrade original simplex mode of hardware development to the mode of hardware + software, terminal + user and investment control + finance. Original simplex product thought will transfer to the thought of software, platform and users. In addition, this thought will be pushed into every link of the whole business chain to rapidly transform the company to be a platform-type enterprise.

2. Achieve scale expansion

In 2017, the company will use the strategy of scale economy and proactive marketing means to push forward the stable, continuous and large-scale development of existing businesses of the company.

3. Structural reform

In 2017, the company will continuously deepen the reform of each business. Businesses of the company will be operated in total marketization as soon as possible. The vitality of businesses will be anew irradiated; operation mechanism will be more reasonable; stimulation will be more effective.

4. Pay attention to key nodes of businesses

Color TV sale in domestic market: input-output ratio will be emphasized in 2017; structure of products will be continuously improved on the basis of guaranteeing scale of market; popularization of intelligent TV products will be accelerated to guarantee the further enhancement of comprehensive ability of making profit. In addition, the company will invest more in brand and development in 2017 and lay firm foundation for long-term development of the company.

Color TV manufacture: Efficiency and quality management will be emphasized in 2017. Functions of manufacture base will be reasonably positioned; manufacture upgrade project will be pushed forward; the relationship between efficiency and quality will be strictly balanced.

Color TV sale in foreign market: In 2017, the company will actively expand sale channels, intensify the ability of supply chain management and control and enhance the ability of creating value for customers.

Internet business: In 2017, the company plans to rapidly increase operation revenue through

expanding online shopping mall, education, medical treatment, game and so on. At the same time, the work of users operation will be well done.

Business of white goods: In 2017, scale will be actively expanded. While maintaining the rapid development of online channels, the stable growth of offline channels will be guaranteed. The company will build a long-term profit-making model with sustainable development, tamp the foundation of the brand of healthy white goods and pursue the virtuous cycle of scale benefits on the premise of sustainable development.

Business of mobile phone: In 2017, the high-efficiency integration of whole chain will be pushed forward. The company will improve quality and expand operation scale on the premise of comprehensively controlling operation cost, actively explore the opportunities in market segment and seek the development opportunities in the market with differentiation, small scale, low competition intensity and high gross profit.

5. Create real competitive products

“Competitive products, wonderful life” is the core brand concept of the company. Product is the foundation of the company. The company will start from planning and create competitive products with whole-chain spirit of craftsman in the links of product R & D, trial-production, technology, quality control, logistics, sale, propaganda, installation service and after-sale service.

X. List of the received researches, visits and interviews

1. Particulars about researches, visits and interviews received in this Reporting Period

☐ Applicable ☒ Not applicable

No such situation of the Company during the Reporting Period.

Section V. Significant Events

I. List of the profits distribution of the common shares and turning capital reserve into share capital of the Company

List of the formulation, execution or adjustment of the profits distribution policies of the common shares, especially the cash dividend policies

√ Applicable □ Not applicable

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

According to the requirements of the Listed Company Supervision Guidelines No. 3--Listed Company Cash Dividends issued by CSRC, the Company had revised the profit distribution policy stipulated by the Articles of Association, further clarifying the priority and proportion of cash dividends in profit distribution. In 2016, the company will further normalize shareholders return mechanism, push forward the establishment of scientific, sustainable and stable shareholders return mechanism, enhance the transparency and operability of profit distribution policy and decision and practically protect the legal rights and interests of investors. The company has formulated *Shareholders Return Planning for the Subsequent Three Years (2016-2018)*.

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

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

1. The 2016 profits distribution preplan of the Company was as follows:

The 2016 retained earnings after audit of the Company that attributed to the owner of the parent was of RMB-427,163,254.63 and according to the actual conditions and the long-term development

demands, the Company advised not to distribute cash bonus with no bonus share and without executing the turn from reserved funds to share capital in 2016.

2. The 2015 profits distribution preplan of the Company was as follows:

The 2015 net profits after audit of the Company that attributed to the owner of the parent was of RMB-1,256,819,314.51 with the retained earnings of RMB-522,836,282.66 and according to the actual conditions and the long-term development demands, the Company advised not to distribute cash bonus with no bonus share and without executing the turn from reserved funds to share capital in 2015.

3. The 2015 semi-annual profits distribution preplan of the Company was as follows:

Based on the total share capital of 1,203,972,704 shares at the month-end of Jun. 2015, the Company executed the turning capital reserve into share capital and to increase 10 shares by transferring for every 10 shares to the whole shareholders with the total amount of 1,203,972,704 shares and after which the total share capital of the Company increased to 2,407,945,408.

4. The 2014 profits distribution plan of the Company was as follows:

Based on the Company's total share capital of 1,203,972,704 shares as at the end of 2014, the Company was proposed to distribute a cash dividend of RMB0.1 (tax included) to every 10 shares. The distributed profits would aggregate RMB 12,039,727.04 and the retained profit would be carried forward into the next year for distribution.

Cash dividend distribution of the common shares of the Company of the recent 3 years (including the Reporting Period)

Unit: RMB

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2016	0.00	95,673,028.03	0.00%	0.00	0.00%
2015	0.00	-1,256,819,314.51	0.00%	0.00	0.00%
2014	12,039,727.04	52,623,527.86	22.88%	0.00	0.00%

The Company (including its subsidiaries) made profit in the Reporting Period and the profits distribution of the common shares held by the shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution of the common shares:

☐ Applicable ☒ Not applicable

II. Pre-plan for profit allocation and turning capital reserve into share capital for the Reporting Period

☐ Applicable ☒ Not applicable

The Company planed not to distribute the cash dividend with no bonus share and without executing the turn from reserved funds to share capital.

III. Performance of commitments

1. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, the Directors, the Supervisors and the Senior Executives or the other related parties during the Reporting Period and those hadn't been completed execution up to the period-end

☒ Applicable ☐ Not applicable

Commitment	Commitment maker	Commitment type	Contents of commitment	Date of commitment	Period of commitment	Execution
Commitments at the time of initial public issuance or re-financing	Konka Group Co., Ltd.	Other commitment	The irregularity actions such as hadn't disclose the idle land, bid up the land price with property hoarding as well as bid up the housing prices by the subsidiaries which engaged in the real estate business that subordinated to Konka Group Co., Ltd. caused the losses for the listed companies and the investors, those subsidiaries should burden the compensation responsibility.	12 Apr. 2016	31 Dec. 2016	Fulfilled
	OCT Holdings Company	Other commitment	The irregularity actions such as hadn't disclose the idle land, bid up the land price with property hoarding as well as bid up the housing prices by the subsidiaries which engaged in the real estate business that subordinated to Konka Group Co., Ltd. caused the losses for the listed companies and the investors, those subsidiaries should burden the compensation responsibility.	12 Apr. 2016	31 Dec. 2016	Fulfilled
Executed timely or not?					Yes	
Detailed reason for failing to execute and the next plan (if any)					Not applicable	

2. Assets or projects existing profit forecast, which were still in the profit forecast period, the Company made note and explain to the assets or project arrived at original profit forecast

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

V. Explanation by the Board of Directors, the Supervisory Committee and the Independent Directors (if any) about the "non-standard audit report" issued by the CPAs firm for the Reporting Period

☐ Applicable ☒ Not applicable

VI. Explanation of the changes of the accounting policy, the accounting estimates and the accounting methods compared to the last financial report

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VII. Explain retrospective restatement due to correction of significant accounting errors in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

√Applicable ☐ Not applicable

(I) Subsidiary companies treatment

1. Changshu Konka Electronic Co., Ltd. was canceled on 31 May 2016. Therefore, it will not be in merger from 31 May 2016.
2. KONKA AMERICA, INC. was canceled on 3 Jan. 2016. Therefore, it will not be in merger from January 3, 2016.
3. On 1 Nov. 2016, 51% stock right of Shenzhen Konka Information Network Co., Ltd. was transferred. Therefore, it will not be in merger from November 1, 2016.

(II) Change of merger in other reasons

1. Subsidiary company Konka Household Appliances Investment & Development Co., Ltd. signed agreement with Shenzhen Dingshengxin Mould Technology Consulting Co., Ltd. on 31 Dec. 2015. From 1 Jan. 2016, Shenzhen Dingshengxin Mould Technology Consulting Co., Ltd. would not entrust Konka Household Appliances Investment & Development Co., Ltd. to manage 6.18% stock right of precise moulds. From 1 Jan. 2016, Shenzhen Konka Precision Mold Manufacturing Co., Ltd. and its subsidiary companies (Kunshan Jielunte Mould Plastic Co., Ltd., Dongguan Xuda Mould Plastic Co., Ltd., Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd., Dongguan Konka Mould Plastic Co., Ltd.) will not be in merger.
2. The company and natural persons Wu Guoren and Xiao Yongsong founded Zhongkang Supply Chain Management Co., Ltd. on 15 Jul. 2016 with registered capital USD 1500 thousand. Konka Group contributed cash USD765 thousand dollars holding 51% stock right; Wu Guoren contributed cash USD375 thousand dollars holding 25% stock right; Xiao Yongsong contributed cash USD 360 thousand dollars holding 24% stock right. The company owns control right and brings it into merger from 15 Jul. 2016.
3. The company registered to set up Yilifang (Hainan) Science and Technology Co., Ltd. in Hainan on 30 Sept. 2016 with registered capital RMB 20 million. The company holds all shares. It is brought into merger from September 30, 2016.
4. Subsidiary company Shenzhen Konka E-display Co., Ltd. invested to set up wholly-owned subsidiary Shenzhen KangQiaoYiLian Science and Technology Co., Ltd. on 1 Apr. 2016 with registered capital RMB 5 million. By the date of balance sheet, RMB 5,000.00 had been invested. The company had control right and brought it into merger from April 1, 2016.
5. The company registered to set up Chuzhou Konka Scientific and Technological Industry Development Co., Ltd. in Anhui on 31 Oct. 2016 with registered capital RMB 40 million. Before the date of report submission, the company had not paid. The company has control right and

brought it into merger from 31 Oct. 2016.

IX. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

Name of domestic CPAs firm	Ruihua Certified Public Accountants
Remuneration for domestic CPAs firm for the Reporting Period (RMB Ten Thousand Yuan)	120
Consecutive years of the audit services provided by domestic CPAs firm	4 years
Name of domestic CPAs firm	Tang Meiqi, Shen Lingzhi,
Name of overseas CPAs firm (if any)	Not applicable
Remuneration for overseas domestic CPAs firm for the Reporting Period (RMB Ten Thousand Yuan) (if any)	0
Consecutive years of the audit services provided by overseas CPAs firm (if any)	Not applicable
Name of overseas CPAs firm (if any)	Not applicable

Reengage the CPAs firm at current period or not?

☐ Yes ☒ No

Reengage the CPAs firm during auditing period or not?

☒ Applicable ☐ Not applicable

During the Reporting Period, as approved by the Shareholders' General Meeting, the Company continued to engage Ruihua Certified Public Accountants as the audit firm on internal control of the Company for 2016, with the auditing fee for the internal control in 2016 as RMB0.4 million(Not contain tax).

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

☐ Applicable ☒ Not applicable

XI. Bankruptcy and reorganization

☐ Applicable ☒ Not applicable

There was no such situation of the Company during the Reporting Period.

XII. Significant lawsuit or arbitration

☒ Applicable ☐ Not applicable

Basic situation of lawsuit (arbitration)	Lawsuit amount (RMB Ten Thousand)	Whether form into estimated liabilities	Process of lawsuit (arbitration)	Trial results and influences of lawsuit (arbitration)	Situation of execution of judgment of lawsuit (arbitration)	Disclosure date	Disclosure index
As for the details, please refer to the Notes 2. Description of the Contingencies of the Commitments and the Contingencies of Chapter XII of the Notes to the Financial Report							

XIII. Punishment and rectification

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XIV. Honesty situations of the Company, its controlling shareholders and actual controller

☐ Applicable ☒ Not applicable

XV. List of the execution of the stock incentive plan, ESOP, or other Staff incentives

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVI. Significant related-party transactions

1. Related-party transactions relevant to routine operation

√ Applicable □ Not applicable

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount (RMB Ten Thousand Yuan)	Proportion in same kind of transactions	Approved transaction quota (RMB Ten Thousand Yuan)	Whether exceed the approved quota	Settlement method of the related-party transaction	Similar market price	Disclosure date	Disclosure index
Anhui Huali Packing Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	3,406	0.32%	5,000	No	Cash	Not applicable	8 Apr. 2016	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150009.PDF
Shanghai Huali Packing Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	1,431	0.13%	2,000	No	Cash	Not applicable	8 Apr. 2016	
Huali Packing (Huizhou) Co., Ltd.	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	1,031	0.10%	2,000	No	Cash	Not applicable	8 Apr. 2016	
OCT Co., Ltd. and its affiliated companies	Under the same actual controller	Sales of goods	Sales of goods Sales of LCD	Negotiated price	Market price	677	0.05%	1,000	No	Cash	Not applicable	8 Apr. 2016	
Shenzhen OCT Property Service Co., Ltd	Under the same actual controller	Provide property management services	Provide property management services	Negotiated price	Market price	994	0.09%	1,000	No	Cash	Not applicable	8 Apr. 2016	

Shenzhen OCT Real Estate Co., Ltd	Under the same actual control	Provide services	Assist in development	Negotiated price	Market price	500	0.05%	1,000	No	Cash	Not applicable		
Total				--	--	8,039	---	12,000	--	--	--	--	--
Details of large amount of sales returns				Not applicable									
As for the prediction on the total amount of routine related-party transactions to be occurred in the Reporting Period by relevant types, the actual performance in the Reporting Period (if any)				The Company has published the Forecasting Public Notice on Routine Related Transaction for Y2016 (public notice No. 2016-20) on Securities Times, Shanghai Securities News, China Securities Journal and Hong Kong Ta Kung Pao as well as the Internet website designated by CSRC http://www.cninfo.com.cn on 8 Apr. 2016. In the Reporting Period, the basis for pricing, transaction price, transaction amount and settlement methods of raw materials purchased by the Company were basically in accordance with the forecast. The total amount was RMB 0.08039 million.									
Reason for significant difference between the transaction price and the market price				Not applicable									

Note: Shanghai Huali packing Limited company for strategic transformation, the second half of 2016 will be stripped of its packaging materials business to Suzhou Huali Environmental Protection Technology Co Ltd. In 2017, the company will no longer purchase color TV packaging materials to Shanghai Hua Sheng packaging Co., ltd. .

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Related-party transactions common external investment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and liabilities with related parties

☒ Applicable ☐ Not applicable

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

☒ Applicable ☐ Not applicable

Credits of parties related to account receivable

Related party	Relation with the Company	Formation reason	Whether there is non-operating capital occupation	Opening balance (Ten thousand Yuan)	Amount newly added in current period (Ten thousand Yuan)	Amount recovered in current period (Ten thousand Yuan)	Interest rate	Current interest (Ten thousand Yuan)	Closing balance (Ten thousand Yuan)
N/A	N/A	N/A	No	0	0	0	0%	0	0
Impact of related credits on the		Not applicable							

company's operation result and financial condition	
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Liabilities of parties related to account payable

Related party	Relation with the Company	Formation reason	Opening balance (Ten thousand Yuan)	Amount newly added in current period (Ten thousand Yuan)	Amount returned in current period (Ten thousand Yuan)	Interest rate	Current interest (Ten thousand Yuan)	Closing balance(Ten thousand Yuan)
OCT Enterprises Co.	Controlling shareholder	The company applies entrusted loan to it	0	160,000	0	3.10%	3596	160,000
OCT Enterprises Co.	Controlling shareholder	The company applies entrusted loan to it	0	90,000	0	3.18%	1542	90,000
OCT Enterprises Co.	Controlling shareholder	The company applies entrusted loan from it	0	90,000	0	3.06%	581	90,000
OCT Enterprises Co.	Controlling shareholder	The company applies entrusted loan from it	0	3,000	0	4.75%	7	3,000
Impact of related liabilities on the company's operation result and financial condition		The company applies entrusted loan from OCT Enterprises Co., which meets the needs of the company's existing business development and reduces the financing cost.						

5. Other significant related-party transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII. Significant contracts and their execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contract

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Lease

√ Applicable □ Not applicable

Lease description

No such cases in the Reporting Period.

During the Reporting Period, the rent paid by Konka R & D Building was approximately RMB 69,734,212.45.

The profits and losses brought to the company to achieve the company's total profit in the Reporting Period more than 10% of the project

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Significant guarantees

√ Applicable □ Not applicable

(1) List of guarantees

Unit: RMB Ten Thousand Yuan

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Execute or not	Guarantee for a related party or not
N/A	N/A	0	N/A	0	N/A	0	NO	N/A
Total external guarantee line approved during the Reporting Period (A1)			0	Total actual occurred amount of external guarantee during the Reporting Period (A2)			0	
Total external guarantee line that has been approved at the end of the Reporting Period (A3)			0	Total actual external guarantee balance at the end of the Reporting Period (A4)			0	
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Execute or not	Guarantee for a related party or not
Anhui Tongchuang	21 Nov. 2014	30,000	1 Jul. 2016	6,000	General guaranty	1 year	No	No

Anhui Tongchuan			5 Jun. 2016	2,000	General guaranty	1 year	No	No
Communication technology	21 Nov. 2014	60,000	21 Sept. 2016	50,000	General guaranty	1 year	No	No
Anhui Konka	29 Apr. 2016	80,000	26 Oct. 2016	10,000	General guaranty	1 year		
Yishijie	21 Nov. 2014	4,800	1 Jul. 2016	2,000	General guaranty	1 year	No	No
Hong Kong Konka	8 Apr. 2016	307,500	Oct. 24, 2016	3,389	General guaranty	1 year	No	No
Hong Kong Konka			8 Nov. 2016	23,674	General guaranty	9 months	No	No
Total guarantee line approved for the subsidiaries during the Reporting Period (B1)			427,500	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)			97,063	
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)			597,050	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)			97,063	
Guarantees provided by the subsidiaries for their subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
N/A	N/A	0	N/A	0	N/A	0	N/A	N/A
Total guarantee line approved for the subsidiaries during the Reporting Period (C1)			0	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (C2)			0	
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (C3)			0	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period			0	

		(C4)	
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)			
Total guarantee line approved during the Reporting Period (A1+B1+C1)	427, 500	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)	97, 063
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)	597, 050	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	97, 063
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company		33. 45%	
Of which:			
Amount of debt guarantee provided for shareholders, actual controller and the related-party (D)			0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)			97, 063
Total guarantee amount exceeded 50% of the net assets (F)			0
Total amount of the above three guarantees (D+E+F)			97, 063
Explanation on the occurred warranty liability or possible bearing joint responsibility of liquidation due to immature guarantee (if any)			N/A
Explanation on provision of guarantees for external parties in violation of the prescribed procedure (if any)			N/A

Explanation on guarantee that adopts complex method

N/A

(2) Illegal provision of guarantees for external parties

☐ Applicable ☒ Not applicable

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

3. Cash assets management entrustment

(1) Wealth management entrustment

☒ Applicable ☐ Not applicable

Unit: RMB Ten Thousand Yuan

Name of the trustee	Whether was the related transaction	Product type	Trust management amount	Start date	Expiration date	Remuneration recognition method	Actual recovered amount of the	Amount of provision for impairment	Estimated earnings	Actual gains and losses amount of the Reporting Period	Actual recovered situation of the
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							Rep orti ng Peri od	loss (if any)			gains and losse s of the Repo rting Perio d
Shenzhen branch of China Construction Bank	No	Principa l-guaran teed	3,700	2016-6-21	2017-2-13	Principa l and interest guarante ed	0	N/A	72.07	58.98	Unre cove red
Shenzhen branch of China Construction Bank	No	Principa l-guaran teed	2,000	2016-6-21	2017-2-15	Principa l and interest guarante ed	0	N/A	39.29	31.88	
Shenzhen branch of China Construction Bank	No	Principa l-guaran teed	1,300	2016-9-1	2017-2-13	Principa l and interest guarante ed	0	N/A	17.63	13.04	
Shenzhen branch of China Construction Bank	No	Principa l-guaran teed	700	2016-9-1	2017-1-18	Principa l and interest guarante ed	0	N/A	8.00	7.02	
Ping An Bank	No	Principa l-guaran teed	2,000	2016-8-3	2017-2-15	Principa l and interest guarante ed	0	N/A	25.76	19.03	
Shenzhen branch of ICBC	No	Principa l-guaran teed	5,000	2016-4-20	2017-2-16	Principa l and interest guarante ed	0	N/A	150.84	140.82	
Shenzhen branch of ICBC	No	Principa l-guaran teed	15,000	2016-12-3 0	2017-1-6	Principa l and interest	0	N/A	13.23	3.78	

						guarante ed					
Total		29,700	--	--	--		0		326.82	274.55	
Entrusted financial resources source								Private capital			
Overdue amount of principal and income recoverable								0			
Involving the situation (if applicable)								N/A			
Disclosure date of the approved announcement of the Board of Directors of the trust management (if any)								29 Aug. 2016			
Disclosure date of the approved announcement of the Board of Shareholders of the trust management (if any)								N/A			
Whether there is a contingency plan in the future								Yes			

(2) Entrustment loans

☐ Applicable ☒ Not applicable

4 Other significant contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVIII. Social responsibilities

☒ Applicable ☐ Not applicable

(I) Fulfill the precise social responsibility of poverty alleviation

(1) Summary of annual targeted poverty alleviation

We and China Youth Development Foundation (CYDF) have held the large public benefit activity “Heart Journey” since 2013. Four sessions of activities have been held until now. In 2013, we have helped thousands of migrant workers to go home; in 2014, we have planted tens of thousands of trees nationwide and improved the living conditions of 5,000 needy families by planting the economic and ecological trees; in 2015, we have donated nearly 100 music classrooms to the remote regions of China by carrying out “Happy Music Classroom” Project with CYDF; in 2016, we have invested RMB 0.5 million to sponsor the professional training on 5,000 music teachers in the remote regions of China and promote the teacher team construction in poverty-stricken areas.

(2) Annual targeted poverty alleviation of listed company

Indicator	Unit	Qty./ Progress
I. Overall conditions	——	——
Wherein: 1. Capital	RMB Ten Thousand Yuan	50
2. Equivalent payment of goods and materials	RMB Ten Thousand Yuan	
3. Number of shake-off-poverty	Person	

people in archiving		
II. Project-based investment	——	——
4. Shaking off poverty on education	——	——
Wherein: 4.1. Financial aid to poverty students	RMB Ten Thousand Yuan	
4.2. Number of poverty students	Person	
4.3. Investment for improving the education sources of poverty-stricken area	RMB Ten Thousand Yuan	50

(3) Follow-up targeted poverty alleviation plan

We will continue to hold the large public benefit activity “Heart Journey” with CYDF, and will improve the education and life of the left-behind children in rural areas with RMB 0.5 million in 2017.

(II) Other social responsibilities

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

1. guarantee the rights and interests of shareholders and creditors

(1) The Company protects rights of shareholders

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

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

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

(2) The Company protects rights of creditors

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

2. The Company performs responsibilities to suppliers and customers

(1) It is devoted to improve customer service quality.

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

(2) Be honest to suppliers

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

3.Be enthusiastic to social and public welfare undertakings

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

4.Be responsible for employees

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

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

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

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

(2) To protect occupational health for employees

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

(3) To promote occupational skills by diversified professional training

The Company has always paid great attention on diversified training for employees. On the one hand, the Company would be meticulous in training of regular business and occupational skills and

carry out all requirements positively to improve professional levels by normal training management. On the other hand, the Company would establish methods of self-training platform, training instructor, theme training and lectures to provide colorful training activities. Besides the work, professional and comprehensive quality would be fully promoted.

5. Be responsible for environment

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

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

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

☐ Yes ☒ No ☐ Not applicable

XIX. Other significant events

☒ Applicable ☐ Not applicable

1. Progress of the urban renewal project in the plant area of the Company's headquarters

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 Enterprises Co. set up the Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd. by joint capital, and developed the urban renewal project in the plan area of the Company's original headquarters by regarding Shenzhen Kangqiao Jiacheng Real Estate Investment Co., Ltd. as the main body and recently the bidding work of the project planning consulting unit had completed with the work such as the old factory land leveling was in promotion.

2. Progress of the Company's Kunshan Zhouzhuang Project

After the approval by the 42nd meeting of the 6th Board of Directors, the Company obtained the land use rights of the land in the south of Quanwang Road, Zhouzhuang County, Kunshan. The project covers an area of 366,575.8 m² for tourism facilities and commercial housing.

The Company is planned to develop the land by stages and determine the annual development plans according to market condition. Recently the residential projects of Phase I and Phase II had both completed and the majority of the residential sales had finished with the Phase III was still in progress.

3. Index for significant information disclosed

Announcement No.	Date	Title	Page on newspaper	Link on http://www.cninfo.com.cn
2016-01	2016-1-23	Announcement on the 2015 Earnings Forecasts	Securities Times B32, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-01-23/1201934829.PDF
2016-02	2016-1-27	Announcement on the Resolution of the 11 th Session of the 8 th Board of Directors	Securities Times B40, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2016-01-27/1201943171.PDF
2016-03	2016-1-27	Announcement on the Resolution of the 7 th Session of the 8 th Board of Supervisors	Securities Times B40, Ta Kung Pao B7	http://www.cninfo.com.cn/finalpage/2016-01-27/1201943172.PDF
2016-04	2016-2-27	Indicative Announcement on the Listing and Circulating of the Restricted Shares	Securities Times B48, Ta Kung Pao A21	http://www.cninfo.com.cn/finalpage/2016-02-27/1202003527.PDF
2016-06	2016-3-3	Announcement on the Resolution of the 12 th Session of the 8 th Board of Directors	Securities Times B29, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2016-03-03/1202017481.PDF
2016-07	2016-3-3	Announcement on the Related Transactions	Securities Times B29, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2016-03-03/1202017480.PDF
2016-08	2016-3-3	Notice on Convening the 2016 1 st Extraordinary General Meeting	Securities Times B29, Ta Kung Pao B13	http://www.cninfo.com.cn/finalpage/2016-03-03/1202017482.PDF
2016-09	2016-3-16	Indicative Announcement on Convening the 2016 1 st Extraordinary General Meeting	Securities Times B44, Ta Kung Pao B10	http://www.cninfo.com.cn/finalpage/2016-03-16/1202045996.PDF
2016-10	2016-3-17	Announcement on the Delisting owing to Significant Events	Securities Times B45, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-03-17/1202051293.PDF
2016-11	2016-3-17	Indicative Announcement on the Temporarily Ceasing of the Listing and Transferring of the Yishijie Company	Securities Times B24, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-03-17/1202051277.PDF
2016-12	2016-3-22	Announcement on the Resolution of the 2016 1 st Extraordinary General Meeting	Securities Times B64, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2016-03-22/1202063800.PDF
2016-13	2016-3-24	Announcement on the Progress of the Significant Events	Securities Times B25, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2016-03-24/1202068976.PDF
2016-14	2016-3-26	Announcement on Receiving the Tax	Securities Times B73,	http://www.cninfo.com.cn/finalpage/2016-03-26/1202070000.PDF

		Reimbursement Events	Ta Kung Pao A21	03-26/1202081746.PDF
2016-15	2016-3-31	Announcement on the Progress of the Significant Events	Securities Times B73, Ta Kung Pao A21	http://www.cninfo.com.cn/finalpage/2016-03-31/1202110076.PDF
2016-16	2016-4-8	Announcement on the 2015 Annual Report	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150039.PDF
2016-17	2016-4-8	Announcement on the Abstract of the 2015 Annual Report	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150021.PDF
2016-18	2016-4-8	Announcement on the Resolution of the 13 th Session of the 8 th Board of Directors	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150019.PDF
2016-19	2016-4-8	Announcement on the Resolution of the 8 th Session of the 8 th Board of Supervisors	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150026.PDF
2016-20	2016-4-8	Announcement on the Expectation of the 2016 Routine Related Transaction	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150009.PDF
2016-21	2016-4-8	Announcement on the External Guarantee	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150010.PDF
2016-22	2016-4-8	Notice on Convening the 2015 Annual General Meeting	Securities Times B40, Ta Kung Pao A28	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150020.PDF
2016-23	2016-4-8	Announcement on the Progress of the Significant Events	Securities Times B40, Ta Kung Pao A29	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150011.PDF
2016-24	2016-4-13	Announcement on the Notes to the Number of the Subscription Entities Involved after the Penetration of the Subscription Target of the Private Offering A Shares	Securities Times B11, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169859.PDF
2016-25	2016-4-13	Announcement on the Risks Reminders of the Diluted Prompt Return of the Private Offering Shares and the Filling Up Measures	Securities Times B11, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169860.PDF
2016-26	2016-4-13	Announcement on the Related Transactions Involved with the Private Offering A Shares of the Company	Securities Times B11, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169862.PDF
2016-27	2016-4-13	Announcement on the Company signed the Share Subscription Contract with Sub Conditione with the Subscription Target of Konka Group Co., Ltd.	Securities Times B11, Ta Kung Pao B8	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169863.PDF
2016-28	2016-4-13	Notes to the Specific Report on the Company Needn't to Compile the	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169864.PDF

		Previous Raise Funds Usage Situation		
2016-29	2016-4-13	Announcement on the Resolution of the 14 th Session of the 8 th Board of Directors	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169865.PDF
2016-30	2016-4-13	Announcement on the Resolution of the 9 th Session of the 8 th Board of Supervisors	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169866.PDF
2016-31	2016-4-13	Indicative Announcement on the Resumption of the Significant Events	Securities Times B11, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169867.PDF
2016-32	2016-4-23	Indicative Announcement on Convening the 2015 Annual General Meeting	Securities Times B44, Ta Kung Pao B17	http://www.cninfo.com.cn/finalpage/2016-04-23/1202225330.PDF
2016-33	2016-4-29	2016 First Quarter Report	Securities Times B84, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-04-29/1202263671.PDF
2016-34	2016-4-29	Text of the 2016 First Quarter Report		http://www.cninfo.com.cn/finalpage/2016-04-29/1202263674.PDF
2016-35	2016-4-30	Announcement on the Resolution of the 2015 Annual General Meeting	Securities Times B212, Ta Kung Pao A10	http://www.cninfo.com.cn/finalpage/2016-04-30/1202282189.PDF
2016-36	2016-5-4	Announcement on the Resolution of the 16 th Session of the 8 th Board of Directors	Securities Times B36, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-05-04/1202287814.PDF
2016-37	2016-5-11	Announcement on the Resign of the Vice President of the Company	Securities Times B64, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2016-05-11/1202314647.PDF
2016-38	2016-5-12	Announcement on Receiving the Reply from SASAC of the Private Offering	Securities Times B56, Ta Kung Pao A16	http://www.cninfo.com.cn/finalpage/2016-05-12/1202316512.PDF
2016-39	2016-5-12	Indicative Announcement on Convening the 2016 2 nd Extraordinary General Meeting	Securities Times B56, Ta Kung Pao A16	http://www.cninfo.com.cn/finalpage/2016-05-12/1202316511.PDF
2016-40	2016-5-20	Announcement on the Resolution of the 2016 2 nd Extraordinary General Meeting	Securities Times B76, Ta Kung Pao B9	http://www.cninfo.com.cn/finalpage/2016-05-20/1202330961.PDF
2016-41	2016-6-22	Announcement on the Receiving of the Acceptance of the Private Offering Application from CSRC	Securities Times B45, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2016-06-22/1202380173.PDF
2016-42	2016-6-25	Announcement on Receiving the Tax Reimbursement	Securities Times B24, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-06-25/1202402692.PDF
2016-01	2016-1-23	Announcement on the 2015 Earnings Forecasts	Securities Times B32, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-01-23/1201934829.PDF
2016-43	2016-7-8	Announcement on the Resolution of the	Securities Times B40,	http://www.cninfo.com.cn/finalpage/2016-07-08/1202402692.PDF

		19 th Session of the 8 th Board of Directors	Ta Kung Pao B7	07-08/1202457827.PDF
2016-44	2016-7-14	Announcement on the semi-annual 2016 earnings forecasts	Securities Times B33, Ta Kung Pao A18	http://www.cninfo.com.cn/finalpage/2016-07-14/1202469363.PDF
2016-45	2016-7-22	Announcement on Receiving the Notice of China Securities Regulatory Commission on the Review and Feedback Comment of Administrative Licensing Project	Securities Times B61, Ta Kung Pao B11	http://www.cninfo.com.cn/finalpage/2016-07-22/1202496345.PDF
2016-46	2016-8-12	Announcement on Delayed Reply for Feedback on Application Documents of Privately Issuing A-shares in 2016	Securities Times B41, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-08-12/1202557744.PDF
2016-47	2016-8-30	Announcement on the 2016 Semi Annual Report		http://www.cninfo.com.cn/finalpage/2016-08-30/1202642330.PDF
2016-48	2016-8-30	Announcement on the Abstract of the 2016 Semi Annual Report	Securities Times B10, Ta Kung Pao B92	http://www.cninfo.com.cn/finalpage/2016-08-30/1202642323.PDF
2016-49	2016-9-10	Announcement on Applying to Suspend the Review for the Company's Application Documents of Privately Issuing A-shares in 2016	Securities Times B28, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-09-10/1202689532.PDF
2016-50	2016-10-13	Announcement on Completing the Renewal Registration of "Integrating Three Licenses into One"	Securities Times B36, Ta Kung Pao B3	http://www.cninfo.com.cn/finalpage/2016-10-13/1202753155.PDF
2016-51	2016-10-15	Announcement on Performance Forecasts of the First Three Quarters in 2016	Securities Times B41, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2016-10-15/1202759150.PDF
	2016-10-25	Announcement on the Resign of the Vice President of the Company	Securities Times B256, Ta Kung Pao B4	http://www.cninfo.com.cn/finalpage/2016-10-25/1202780130.PDF
2016-52	2016-10-29	2016 Third Quarter Report	Securities Times B84, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-10-29/1202800793.PDF
2016-53	2016-10-29	Text of the 2016 Third Quarter Report	Securities Times B84, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-10-29/1202800791.PDF
2016-54	2016-10-29	Announcement on the Resolution of the 21 st Session of the 8 th Board of Directors	Securities Times B84, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-10-29/1202800786.PDF
2016-55	2016-10-29	Announcement on the External Guarantee	Securities Times B84, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-10-29/1202800787.PDF
2016-56	2016-10-29	Announcement on Holding Subsidiaries' Receipt of the Notice of Income and	Securities Times B84, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-10-29/1202800788.PDF

		Payment for the Transfer of Use Right of State-owned Land in Shenzhen		
2016-57	2016-11-29	Announcement on the Resolution of the 22 nd Session of the 8 th Board of Directors	Securities Times B41, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2016-11-29/1202846547.PDF
2016-58	2016-11-29	Announcement on the Termination of Privately Issuing A-shares Matters	Securities Times B41, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2016-11-29/1202846548.PDF
2016-59	2016-11-29	Announcement on Holding Subsidiaries' Signing for the Contract of Transferring the Land Use Right	Securities Times B52, Ta Kung Pao B5	http://www.cninfo.com.cn/finalpage/2016-11-29/1202846710.PDF
2016-60	2016-12-17	Announcement on Receiving the Notice of China Securities Regulatory Commission on Terminating Reviewing the Administrative License Application	Securities Times B33, Ta Kung Pao B2	http://www.cninfo.com.cn/finalpage/2016-12-17/1202878743.PDF
2016-61	2016-12-27	Announcement on Receiving the Tax Reimbursement	Securities Times B32, Ta Kung Pao B1	http://www.cninfo.com.cn/finalpage/2016-12-27/1202957919.PDF
2016-62	2016-12-30	Announcement on the Resolution of the 24 th Session of the 8 th Board of Directors	Securities Times B48, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2016-12-30/1202973414.PDF
2016-63	2016-12-30	Announcement on Investing and Constructing Konka Science and Innovation Center	Securities Times B48, Ta Kung Pao B15	http://www.cninfo.com.cn/finalpage/2016-12-30/1202973415.PDF

XX. Significant events of subsidiaries

☐ Applicable ☒ Not applicable

Section VI. Change in Shares & Shareholders

I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Shares subject to trading moratorium	396,932,960	16.48%				-396,932,960	-396,932,960	0	0.00%
2. Shares held by state-owned corporation	396,763,880	16.48%				-396,763,880	-396,763,880	0	0.00%
3. Other domestic shareholding	169,080	0.00%				-169,080	-169,080	0	0.00%
Shares held by the domestic individuals	169,080	0.00%				-169,080	-169,080	0	0.00%
II. Shares not subject to trading moratorium	2,011,012,448	83.52%				396,932,960	396,932,960	2,407,945,408	100.00%
1. RMB ordinary shares	1,199,829,920	49.83%				396,763,880	396,763,880	1,596,593,800	66.31%
2. Domestically listed foreign shares	811,182,528	33.69%				169,080	169,080	811,351,608	33.69%
III. Total shares	2,407,945,408	100.00%				0	0	2,407,945,408	100.00%

Reason for the change in shares

√ Applicable □ Not applicable

2 Mar. 2016, 396,763,880 shares of the Company; stocks held by OCT Holdings Company were relieved the restriction. See the details on the Indicative Announcement on the Listing and Circulating of the Restricted Shares disclosed on 27 Feb. 2016 by the Company (Announcement No. 2016-04).

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

Approval of the change in shares

□ Applicable √ Not applicable

Reason for the change in shares

□ Applicable √ Not applicable

The changes in shares had completed transfer ownership

Effects of the change 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 last period

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name of the shareholders	Number of the restricted shares at the period-begin	Number of the relieved restricted shares of the Reporting Period	Number of the increased restricted shares of the Reporting Period	Number of the restricted shares at the period-end	Restricted reason	Relieved restricted date
OCT Enterprises Co.	396,763,880	396,763,880	0	0	Non-tradable shares reform	2 Mar. 2016
Zhang Guanghui	169,080	169,080	0	0	On 5 Nov. 2015, Mr. Zhang Guanghui resigned the position as the Supervisor owning to personal reasons and according to the regulations of the relevant laws and regulations, within the 6 months after the	5 May. 2016

					resignation, the holding share of the Company were the shares subject to trading moratorium.	
Total	396,932,960	396,932,960	0	0	--	--

II. Issuance and listing of securities

1. Issuance of securities (excluding preferred stock) in Reporting Period

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

(1) The total capital stock of the company has no change.

(2) 2 Mar. 2016, 396,763,880 shares of the Company; stocks held by OCT Holdings Company were relieved the restriction. Mr. Zhang Guanghui had resigned the position as a Supervisor officially on 5 Nov. 2015 with the 169,080 shares subject to trading moratorium held by whom of the Company's had all automatically terminated the restriction on 5 May 2016.

(3) The company's assets and liabilities have no change.

3. Existent shares held by internal staffs of the Company

☐ Applicable ☒ Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

Total number of shareholders at the Reporting Period	134,479	Total number of shareholders on the 30 th trading day before the disclosure date of the annual report	130,924	Total number of preferred stockholder with vote right restored (if any) (see Notes 8)	0	Total number of preferred stockholder with vote right restored on the 30 th trading day before the disclosure date of the annual report (if any) (see Notes 8)	0
Shareholding of shareholders holding more than 5% shares							
Name of shareholder	Nature of sharehol	Holding percentage	Number of shareholding at the end of	Increase and decrease of shares	Number of shares held subject to	Number of shares held not subject	Pledged or frozen shares

	ders		the Reporting Period	during Reporting Period	trading moratorium	to trading moratorium	Statu s of share s	A m ou nt
OCT Enterprises Co.	State-ow ned corporat ion	21.75%	523,746,932	0	0	523,746,932	Pled ged	0
							Froz en	0
CITIC Securities Brokerage (Hong Kong) Co., Ltd.	Foreign corporat ion	7.56%	182,100,202	2,099,092	0	182,100,202	Pled ged	0
							Froz en	0
Guoyuan Securities Broker (HK) Co., Ltd.	Foreign corporat ion	2.33%	56,167,945	-3,659,225	0	56,167,945	Pled ged	0
							Froz en	0
Holy Time Group Limited	Foreign corporat ion	2.33%	56,049,824	3,469,470	0	56,049,824	Pled ged	0
							Froz en	0
Gaoling Fund, L.P.	Foreign corporat ion	2.19%	52,801,250	0	0	52,801,250	Pled ged	0
							Froz en	0
Nanhua Futures Co., Ltd. - Nanhua Futures Silver Leaf No. 2 Assets Management Plan	Other	0.98%	23,505,979	23,505,979	0	23,505,979	Pled ged	0
							Froz en	0
NAM NGAI	Foreign Individu al	0.96%	23,220,040	-161,000	0	23,220,040	Pled ged	0
							Froz en	0
CMS (HK)	State-ow ned corporat ion	0.96%	23,190,620	463,816	0	23,190,620	Pled ged	0
							Froz en	0
CSI Capital Management Limited	Other	0.83%	20,050,928	-500,000	0	20,050,928	Pled ged	0
							Froz	0

							en	
Meng Diliang	Domestic Individual	0.62%	15,000,083	15,000,083	0	15,000,083	Pledged	0
							Frozen	0
Strategic investor or general corporation becoming a top ten ordinary shareholder due to placing of new shares (if any) (see Note 3)		N/A						
Related or act-in-concert parties among the shareholders above		Jialong Investment Limited, a wholly-funded subsidiary of the Company’s first majority shareholder OCT Enterprises Co., holds 180,001,110 and 18,360,000 ordinary shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and CMS (HK). Jialong Investment Limited and OCT Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.						
Particulars about shares held by the top ten common shareholders holding shares not subject to trading moratorium								
Name of shareholder				Number of tradable shares held at the period-end	Type of shares			
					Type	Number		
OCT Enterprises Co.				523,746,932	RMB ordinary share		523,746,932	
CITIC Securities Brokerage (Hong Kong) Co., Ltd.				182,100,202	Domestically listed foreign shares		180,001,110	
CITIC Securities Brokerage (Hong Kong) Co., Ltd.				56,167,945	Domestically listed foreign shares		56,167,945	
Holy Time Group Limited				56,049,824	Domestically listed foreign shares		56,049,824	
Gaoling Fund, L.P.				52,801,250	Domestically listed foreign shares		52,801,250	
Nanhua Futures Co., Ltd. - Nanhua Futures Silver Leaf No. 2 Assets Management Plan				23,505,979	RMB ordinary share		23,505,979	
NAM NGAI				23,220,040	Domestically listed foreign shares		23,220,040	
CMS (HK)				23,190,620	Domestically		23,190,620	

		listed foreign shares	
CSI Capital Management Limited	20,050,928	Domestically listed foreign shares	20,050,928
Meng Diliang	15,000,083	RMB ordinary share	15,000,083
Related or act-in-concert parties among the top 10 non-restricted ordinary shareholders as well as between the top 10 non-restricted ordinary shareholders and the top 10 ordinary shareholders	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder OCT Enterprises Co., holds 180,001,110 and 18,360,000 ordinary shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and CMS (HK). Jialong Investment Limited and OCT Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or act-in-concert parties or not.		
Top 10 ordinary shareholders conducting securities margin trading (if any) (see Note 4)	Meng Diliang holds 15,000,083 A-shares in the Company through a client account of collateral securities for margin trading in Essence Securities Co., Ltd.		

Did any top ten shareholder of common share and the top ten shareholders not subject to trading moratorium of the Company carry out an agreed buy-back in the Reporting Period?

☐ Yes ☒ No

Top ten shareholder of common share and the top ten shareholders not subject to trading moratorium of the Company did carry out an agreed buy-back in the Reporting Period

2. Particulars about the controlling shareholder

Nature of controlling shareholder: central state-owned holding

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
OCT Enterprises Co.	Duan Xiannian	11 Nov. 1985	91440300190346175T	Export of textile, light industrial products, etc; import of self-used goods in Shenzhen, mechanical equipment, light industrial products, etc. as approved by the relevant authorities of Shenzhen (under Government Document JMB [92] WJMGTSZZ No. A19024); compensation trade; investment in industry, tourism, real estate, commerce & trade and financial insurance.
Shares held by the controlling shareholder in other listed companies by holding or shareholding	OCT ENTERPRISES CO. held 53.47% equity of Shenzhen Overseas Chinese Town Co., Ltd. (a company listed on the main Board of Shenzhen Stock Exchange, SZ. 000069), meanwhile, Shenzhen Overseas Chinese Town Co., Ltd. indirectly held 66.66% equity of OCT (Asia) Holdings Ltd. (a company listed on the main Board of Hong Kong Stock Exchange, 3366.HK) and OCT			

during the Reporting Period	ENTERPRISES CO. held 4.08% equity of CITS (a company listed on the main Board of Shanghai Stock Exchange, 601888.SH). OCT ENTERPRISES CO. intends to increase its investment in Yunnan Expo Tourism Group Holdings Ltd. to indirectly control Yunnan Tourism Co., Ltd. (listed on the SMEs board of the Shenzhen Stock Exchange, stock code: SZ.002059). The abstract of the relevant tender offer report has been released, with the relevant work underway.
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Changes in controlling shareholders during the Reporting Period

☐ Applicable ☒ Not applicable

The controlling shareholder did not change during the Reporting Period.

3. Particulars about the actual controller

Nature of actual controller: central state-owned assets management institutions

Type of actual controller: legal person

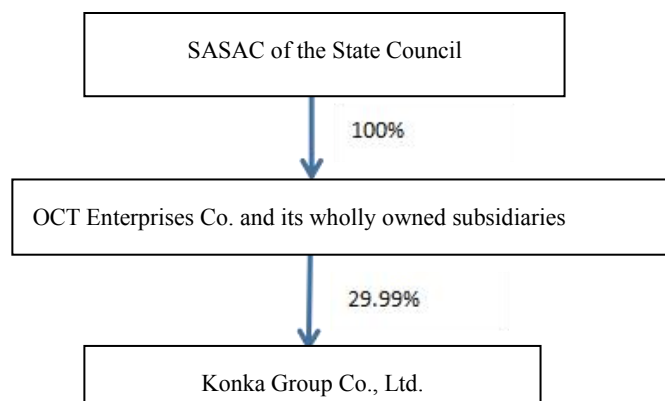
Name of actual controller	Legal representative / head of unit	Date of foundation	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	Hao Peng		Not applicable	Not applicable
Shares held by the actual controlling shareholder in other listed companies by holding or shareholding during the Reporting Period				Not applicable

Change in actual controller in the Reporting Period

☐ Applicable ☒ Not applicable

No change in actual controller of the Company in the Reporting Period.

Diagram of ownership and control relationship between the Company and its actual controller:



The actual controller controls the Company by the means of trust or other means of assets management

☐ Applicable ☒ Not applicable

4. Other Corporate Shareholder with a shareholding percentage over 10%

☐ Applicable ☒ Not applicable

5. Particulars about restriction of reducing holding-shares of controlling shareholders, actual controller, restructuring parties and other commitment entities

☐ Applicable ☒ Not applicable

Section VII. Preference Shares

☐ Applicable ☒ Not applicable

There was no preferred stock during Reporting Period.

Section VIII. Directors, Supervisors, Senior Management Staff & Employees

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

Name	Title	Incumbent or not	Gender	Age	Starting date of office term	Closing date of office term	Shares held at the beginning of the Reporting Period	Increase of shares in this Reporting Period (share)	Decrease of shares in this Reporting Period (share)	Other increased/decreased change (share)	Shares held at the end of the Reporting Period (share)
Liu Fengxi	Director	Current	Male	45	28 May 2015	28 May 2018	0	0	0	0	0
Liu Fengxi	Board Chairman	Current	Male	45	18 Jun. 2015	28 May 2018	0	0	0	0	0
Jin Qingjun	Director	Current	Male	60	28 May 2015	28 May 2018	0	0	0	0	0
Chen Yuehua	Director	Current	Male	42	28 May 2015	28 May 2018	0	0	0	0	0
He Haibin	Director	Current	Male	54	5 Nov. 2015	28 May 2018	0	0	0	0	0
Sun Shengdian	Independent Director	Current	Male	62	5 Nov. 2015	28 May 2018	0	0	0	0	0
Xiao	Indepe	Curr	M	51	28 May 2015	28 May 2018	0	0	0	0	0

Zuhe	ndent Directo r	ent	al e								
Zhang Shuhua	Indepe ndent Directo r	Curr ent	M al e	52	28 May 2015	28 May 2018	0	0	0	0	0
Hao Gang	Supervi sor	Curr ent	M al e	44	28 May 2015	28 May 2018	0	0	0	0	0
Hao Gang	Supervi sory	Curr ent	M al e	44	8 Jun. 2015	28 May 2018	0	0	0	0	0
Wang Yulai	Supervi sor	Curr ent	M al e	56	5 Nov. 2015	28 May 2018	0	0	0	0	0
Li Jun	Employ ee Supervi sor	Curr ent	M al e	46	25 May 2015	25 May 2018	0	0	0	0	0
He Jianjun	Vice Preside nt	Curr ent	M al e	38	4 Apr. 2014	4 Apr. 2017	0	0	0	0	0
Li Hongta o	Vice Preside nt	Curr ent	M al e	48	4 Apr. 2014	4 Apr. 2017	0	0	0	0	0
Yang Bo	Vice Preside nt	Curr ent	M al e	49	10 Mar.2017	10 Mar.2020	0	0	0	0	0
Cao Shiping	Vice Preside nt	Curr ent	M al e	47	10 Mar.2017	10 Mar.2020	0	0	0	0	0
Sun Qingya n	Vice Preside nt	Curr ent	M al e	39	determined	10 Mar.2020	0	0	0	0	0
Li Chunlei	CFO	Curr ent	M al e	45	10 Mar.2017	10 Mar.2020	0	0	0	0	0
Wu Yongju	Board Secreta	Curr ent	M al	44	27 Aug. 2015	4 Apr. 2017	0	0	0	0	0

n	ry		e								
Xiao Qing	Executive Vice President	Left	Male	42	27 Aug.2015	24 Oct.2016	0	0	0	0	0
Huang Zhongtian	Vice President	Left	Male	47	4 Apr.2014	10 Mar.2020	0	0	0	0	0
Lin Gaike	Vice President	Left	Male	56	4 Apr.2014	9 Mar. 2016	0	0	0	0	0
Lin Hongfan	Vice President	Left	Male	45	4 Apr.2014	10 Mar.2020	0	0	0	0	0

Note: For Mr. Sun Qingyan is handling the check-out procedure in Shenzhen Shenwo Asset Management Co., Ltd., he cannot take his post immediately, it is expected that Mr. Sun Qingyan will sign the labor contract with our company before 30 Apr. 2017 served as the vice president officially.

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

Name	Position	Type	Date	Reason
Zhou Bin	President	Engaged	10 Mar.2017	Engaged by the decision from the Board of Directors
Yang Bo	Vice President	Engaged	10 Mar.2017	Engaged by the decision from the Board of Directors
Cao Shiping	Vice President	Engaged	10 Mar.2017	Engaged by the decision from the Board of Directors
Sun Qingyan	Vice President	Engaged	To be determined	Engaged by the decision from the Board of Directors
Li Chunlei	CFO	Engaged	10 Mar.2017	Engaged by the decision from the Board of Directors
Xiao Qing	Executive Vice President	Left	24 Oct.2016	Resigned owing to the personal reasons
Huang Zhongtian	Vice President	Expired	10 Mar.2017	The service term of the Board of Supervisors was expired
Lin gaike	Vice President	Left	09 May 2016	Resigned owing to the personal reasons

III. Post-holding situation

Professional background, main working experience and the main responsibilities of current

directors, supervisors and senior management staff of the Company

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

1. Directors

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

Jin Qingjun, is a Director and male, who born in 1957 with the master of laws. Former lawyers in Hong Kong-based law firm and Britain-based law firm, lawyer of JANG SHINN Law Office and executive partner of Shu Jin Law Firm, and at the same time, worked as the adjunct professor of China University of Political Science and Law, and the adjunct professor of the Lawyer College of the Renmin University of China, and graduate student co-tutor in the Law School of Tsinghua University. Former arbitrator of the Shenzhen Court of International Arbitration, Shanghai International Arbitration Center, Arbitration Foundation of Southern Africa, Former mediator of Shenzhen Securities and Futures Dispute Resolution Center, legal counsel of US Court of Appeals-Washington DC. Presently the senior partner of Beijing King & Wood Mallesons Law Firm, independent director of Guotai Jun'an Securities, Gemdale Group Co., Ltd. (a company listed in Shanghai Stock Exchange), Tianjin Masterwork Machinery Co., Ltd. (a company listed in Shenzhen Stock Exchange), Invesco Great Wall Fund Management Co., Ltd. and New China Asset Management Co., Ltd., director of Konka Group.

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

Chen Yuehua, Director, male, Han nationality, born in 1963. He is Master of Business Administration, Senior Engineer, Former senior engineer of Konka Group Technological Development Center; former GM of Konka Electric Appliance Department Technological Development Center; former GM of President Office of Konka Group; former GM of Dongguan Konka Electronics Co., Ltd; former vice GM of Konka Group Multimedia Business Department; former vice president of Konka Group; former president, deputy party secretary of Konka Group;

assistant to the president and secretary of the Board of Shenzhen OCT Co., Ltd. Current Board chairman of Konka Group; vice president of Shenzhen OCT Co. Ltd; president of Shenzhen OCT Vision Inc.; and president of Shenzhen Rough Diamond Trading Center Co., Ltd. as well as Director of Konka Group.

2. Independent Director

Sun Shengdian, independent director, male, Han nationality, born in 1955, doctor of engineering science, sensor economist. Formerly vice GM, deputy secretary of the Party committee, GM and president of Shenzhen SEG, Hitachi Color Display Devices Co., Ltd., director, Party Committee member, vice GM, vice secretary of Party Committee, GM of Shenzhen Electronics Group Co., Ltd. director of Shenzhen China Star Optoelectronics Technology Co., Ltd. and independent director of Skyworth Holding Ltd. Presently working as the president and secretary of party committee of Shenzhen Electronics Group Co., Ltd., President of Shenzhen Electronics Industries Association, Director of Shenzhen SI Semiconductor Co., Ltd., vice president of Shenzhen Huakong SEG Co., Ltd., and independent director of Konka Group.

Xiao Zuhe, Independent Director, male, Han nationality, born in 1966. EMBA, certified public accountant. Formerly worked as auditor and department manager in Jiangxi Accounting Firm, assistant financial controller of Shenzhen Fountain Corporation, auditor in Ho and Ho & Co. in Hong Kong, financial controller of Qiaoxing Universal Telephone, Inc. (a company listed in NASDAQ), President of Benefit Capital Limited in Hong Kong. Presently he is working as the president and GM of Tianjin Benefit Equity Investment Fund Management Co., Ltd. and independent director of Konka Group.

Zhang Shuhua, Independent Director, male, Han nationality, born in 1965, a master degree owner, certified public account. Formerly worked as the principal staff member of Urban Social and Economic Survey Organization of Sichuan Provincial Bureau of Statistics, accountant in charge of Sichuan Newspaper Press, chief financial officer of TOP Pacific Group Pty. Ltd., chief financial controller of Sichuan Bolan Properties Limited, chief financial officer of Sihuan Hanjia Group, chief financial officer of Chengdu Lishen Industry Co., Ltd. and vice president of Jiutai Industry Co., Ltd. Presently working as the certified public accountant and partner of Sichuan Accounting Firm, independent director of Konka Group.

3. Supervisor

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

Corporation and a supervisory of Konka Group.

Wang Youlai, Supervisor, who is male, Han nationality, born in 1961, doctoral student and engineer. Formerly worked as the business manager of the Quality Department in Konka Group, assistant GM, vice GM, and vice president of Konka Group, Deputy Director of the Administration Department of Overseas Chinese Town Enterprise Co. Presently working as the co-secretary of the party committee in the HQs, and chief director of the Administration Department of Overseas Chinese Town Enterprise Co., and supervisor of Konka Group.

Li Jun, Employee Supervisor, male, Han nationality, born in 1971, bachelor's degree owner and assistant accountant. Formerly worked as the financial manager of Nanchang Branch of Telecommunications Technology Co., Ltd., Senior Manager of the Financial Department and the Senior Manager of Auditing and Legal Affairs Department of Telecommunications Technology Co., Ltd. Presently working as the head of the Discipline Committee Office, assistant supervisor of the Auditing and Legal Affairs Department, GM of the Internal Control and Risk Management Department, and employee supervisor of Konka Group

4. Senior Executives

Zhou Bin, president. Male, Han, born in 1979, undergraduate. Served as the director assistant, deputy director and director in Operating Management Center in Konka Group, assistant of the president in the Board of Directors and Director in Operating Management Center and others. Serve as the president in Konka Group now.

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

Li Hongtao, Vice President. He is male, Han nationality, born in 1968; bachelor degree and Senior Engineer. He successively took the post such as Assistant to GM, GM, Director and GM of Shenzhen Konka Telecommunication Technology Co., Ltd and Assistant President of Konka Group etc. He now is acting as Vice President of Konka Group.

Wu Yongjun, secretary of the board of directors, male, Han nationality, born in 1975, master's degree owner, certified public accountant. Formerly he worked as the senior manager, assistant of chief supervisor, vice supervisor, supervisor of the secretariat of the Board of Directors of Konka Group, Konka Group Securities Affairs representative. Presently he is working as the secretary of the board of directors of Konka Group.

Li Chunlei, CFO. Male, Han nationality, born in 1973, master. Served as the director in Real Estate Business Division, Konka Group, vice GM and GM in Kunshan Kangsheng Investment

Development Co., Ltd., deputy director (preside the work) and director in Strategic Development Center, GM in Financial Center and GM in Asset Settlement Center and others. Serve as the CFO in Konka Group now.

Yang Bo, vice president. Male, Han nationality, born in 1970, master. Served as the director in Shenzhen Cable Television Education Financial Channel, director in the market sales and support region of US Tailiyang Communications Company, GM in Program Operating Department in Shenzhen Topway Video Communication Co., Ltd., director and GM in Shenzhen Tianhua Century Media Co., Ltd., GM in Market Sales Center in Shenzhen Topway Video Communication Co., Ltd. and others. Serve as the vice president in Konka Group.

Cao Shiping, vice president. Male, Han nationality, born in 1978, master. Served as the GM in Jinzhou Branch and Tianjin Branch of Konka Group Multi-media, GM in Multi-media Business Division Customer Cooperation Department, vice GM in Multi-media Marketing Business Division, vice GM in Multi-media Business Division and GM in Marketing Center, GM in Multi-media Business Division, GM in Internet Business Division and others. Serve as the vice president in Konka Group.

Sun Qingyan, vice president. Male, Han nationality, born in 1972, doctor, senior economist. Served as the tutor in Northeast University of Finance and Economics, vice GM in Shenzhen Huaixin Enterprise Investment Consulting Co., Ltd., CEO in Shenzhen Xinheng Lida Capital Management Co., Ltd., vice GM in Shanying Investment Management Co., Ltd., GM in Shenzhen Shenwo Asset Management Co., Ltd. and others.

Employment in shareholders' companies

√ Applicable □ Not applicable

Name of employers	Name of shareholders' companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in shareholders' companies
Liu Fengxi	OCT Enterprises Co.	Party Committee Standing Committee	22 Feb. 2016	Unknown	
He Haibin	OCT Enterprises Co.	Chief of Enterprise Management Department	1 Feb. 2010	Unknown	Yes
Hao Gang	OCT Enterprises Co.	Chief of Inspection Office	1 Mar. 2010	Unknown	Yes
Wang	OCT Enterprises	Secretary of the joint committee of the	1 Dec. 2014	Unknown	Yes

Youlai	Co.	general headquarters, administrative management director		wn	
Notes to post-holding in shareholder's unit		1. Except the above situation, other directors, supervisors and senior management didn't hold any position in the shareholders' units. 2. It is unknown the ending date of the posts of Mr. Liu Fengxi, Mr. He Haibin, Mr. Hao Gang and Mr. Wang Youlai held in the shareholders' units.			

Note: Mr. Liu Fengxi in 2016 1-3 months in the company to receive remuneration, after the controlling shareholder to receive compensation.

Employment in other entities

√ Applicable □ Not applicable

Name of employers	Name of other companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in other companies
Jin Qingjun	Beijing Kind & Wood Mallesons	Senior Partner	Unknown	Unknown	Yes
	Guotai Junan Securities Co., Ltd	Independent director	Unknown	Unknown	Unknown
	Gemdalea (Group) Holding Co., Ltd.	Independent director	Unknown	Unknown	Unknown
	Tianjin Masterwork Machinery Co., Ltd.	Independent director	Unknown	Unknown	Unknown
	Invesco Great Wall Fund Management Co., Ltd.	Independent director	Unknown	Unknown	Unknown
	New China Asset Management Co., Ltd.,	Independent director	Unknown	Unknown	Unknown
Chen Yuehua	Shenzhen OCT Co., Ltd.	Vice President	Unknown	Unknown	Yes
	Shenzhen OCT Vision Inc	Director	Unknown	Unknown	
	Shenzhen Rough Diamond Trading Center Co., Ltd.	Director	Unknown	Unknown	No
He Haibin	Shenzhen OCT Co., Ltd	CAO	Unknown	Unknown	No
Xiao Zuhe	Tianjin Baifuyuan Equity Investment Fund Management Co., Ltd.	Director	Unknown	Unknown	Yes

	Shenzhen Qianhai Baifuyuan Equity Investment Management Co., Ltd.	Director, GM	Unknown	Unknown	
Zhang Shuhua	Sichuan Tan Cheng Certified Public Accountants Co., Ltd.	Partner Project Manager	Unknown	Unknown	Yes
Sun Shengdian	Shenzhen Electronics Group Co., Ltd.	Chairman, Secretary of the Party Committee	Unknown	Unknown	Yes
	Shenzhen Electronics Industries Association	President	Unknown	Unknown	
	Shenzhen SI Semiconductors Co., Ltd.	Director	Unknown	Unknown	
	Shenzhen Huakong SEG Co., Ltd.	Vice Director	Unknown	Unknown	
Notes to post-holding in shareholder's unit		Mr. Sun Shengdian, Mr. Xiao Zuhe and Mr. Zhang Shuhua were the Independent Directors of the Company. Mr. Jin Qingjun and Mr. Chen Yuehua were the Non-independent Directors of the Company.			

Particulars about the Company's current directors, supervisors and senior executives' punishments from Securities Regulatory Institution of recent three years in Reporting Period

☐ Applicable ☒ Not applicable

IV. Remuneration for directors, supervisors and senior management

1. After the approval and the consent by the Board of Directors on the salary of the Directors and Supervisors, should submit which to the Annual General Meeting for review and decision.

Referred to the salary level of the Directors and Supervisor of the domestic listed companies of same industry, the salary proposal of the Director and Supervisors of the Company which approved and reviewed by the 2015 2nd Extraordinary General Meeting were as follows: (1) the basic annual salary standard of the Board Chairman was of RMB1.2 million, the subsidy standard of other Directors (excluding the Directors serving in the Company) was of RMB0.3 million per person per year and the subsidy standard of the Supervisors (excluding the Employee Supervisors) was of RMB0.2 million per person per year; which was executed since Jun. 2015. (2) the above standards were all pre-tax standard with the individual income tax burdened in person as well as the Company withheld and remitted tax.

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

Remuneration of the directors, supervisors and senior management of the Company during the Reporting Period

Unit: RMB Ten Thousand Yuan

Name	Title	Gender	Age	Incumbent or not	Total amount of remuneration received from the Company	Total amount of remuneration received from shareholders' companies
Liu Fengxi	Board Chairman, Acting President	Male	45	Current	57.64	No
Jin Qingjun	Director	Male	60	Current	30	No
He Haibin	Director	Male	42	Current	0	Yes
Chen Yuehua	Director	Male	54	Current	0	Yes
Sun Shengdian	Independent Director	Male	62	Current	0	No
Xiao Zuhe	Independent Director	Male	51	Current	30	No
Zhang Shuhua	Independent Director	Male	52	Current	30	No
Hao Gang	Supervisory	Male	44	Current	0	Yes
Wang Youlai	Supervisor	Male	56	Current	0	Yes
Li Jun	Employee Supervisor	Male	46	Current	58.45	No
He Jianjun	Vice President	Male	48	Current	106.34	No
Li Hongtao	Vice President	Male	49	Current	106.34	No
Wu Yongjun	Board Secretary	Male	42	Current	110.01	No
Xiao Qing	Executive Vice President	Male	47	Current	113.47	No
Huang Zhongtian	Vice President	Male	56	Current	106.34	No
Lin Gaike	Vice President	Male	45	Current	54.38	No

Lin Hongfan	Vice President	Male	46	Current	160.25	No
Total	--	--	--	--	963.22	--

Situations of equity incentives awarded to the directors, supervisors and senior management of the Company during the Reporting Period

☐ Applicable ☒ Not applicable

V. Employees of the Company

1. Number of the employees, component difference and educational background

Number of the serving employees of the parent company (person)	2,186
Number of the serving employees of the major subsidiaries (person)	15,204
Total number of the serving employees (person)	17,390
Total number of the employees receiving the salary of the Reporting Period (person)	17,390
Number of the left and retired employees that the parent company and the major subsidiaries should undertake the expenses (person)	0
Component difference	
Category	Number (person)
Production personnel	10,405
Sales personnel	3,819
Technical personnel	1,203
Financial personnel	622
Administrative personnel	1,341
Total	17,390
Educational background	
Category	Number (person)
Master and above	158
Undergraduate	2,482
College	6,247
High school and below	8,503
Total	17,390

2. Remuneration policy

The Company promulgated its remuneration system with the operating strategy of serving for the enterprise development and enhancement, and the principle of deciding the remuneration according

to the post, business performance and capabilities, as well as the market competitiveness and internal fairness. And it decided the employee's remuneration level according to its business earnings, the posts and fulfillment of the business performance of the employee.

3. Employee's training plan

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

In 2016, guided by closing to the business needs, the Company centralized the superior resources to promote the cultivation of key talents. And it organized and carried out the open class project for all the employees, and organized and carried out the new employee's training & cultivation projects respectively for the graduates from campus recruiting and personnel from social recruitment. Meanwhile, it centralized to organize the pointed the training projects of general management skills and post professional knowledge, etc for the personnel from marketing, R&D, manufacturing, financial and human resources systems, so as to better complete its annual training plan.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX. Corporate Governance

I. Basic information of corporate governance

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

(I) Shareholders and the Shareholders' General Meeting

The Company drew up Articles of Association and Rules for Procedure of Shareholders' General Meeting, ensured that all shareholders, in particular medium and minor shareholders, enjoy legal rights and equal standard. In the Reporting Period, the Company was able to publish announcement on Shareholders' General Meetings in advance, convened Shareholders' General Meeting with strictly accordance to relevant requirements, so as to enable the shareholders have their rights of information to the Company's material issues and the participation rights. In 2016, the Company convened three Shareholders' General Meeting in total. The Company seriously did well the registration, arrangement and organization work for the Shareholders' General Meeting before the circular on convening the Shareholders' General Meeting being published at the designated media. The Company convened the Shareholders' General Meeting at the office address of the Company strictly in line with relevant stipulations, which was convenient in traffic, and the shareholders could attend the session in accordance with their actual situation. The Company's directors, supervisors and senior management staffs made explanations and description for the shareholders' questions and advices at the session.

(II) Controlling shareholder and the Company

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

(III) Directors and the Board of Directors

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

(IV) Supervisors and supervisory committee

The Company has established Rules for Procedures of the Supervisory Committee, persons and structure of the Supervisory Committee was in line with relevant laws and statutes, supervisors can earnestly perform their responsibilities, independently and efficiently executed supervision and check responsibilities with a spirit of being responsible to shareholders. In the Reporting Period, the number of supervisors and composition of the Supervisory Committee of the Company as well as their selecting procedure complied with the laws, regulations. In accordance with the requirement of the Rules of Procedure for Supervisory Committee, the supervisors performed their duties in an earnest and responsible manner, and exercised their functions of supervision on the decision-making procedure of the Board of Directors, resolutions and the Company's operation by law, and took effective supervision over the Company's significant events, related transactions, financial position, as well as the legality and compliance on duty performance by the directors, president and other senior management members.

(V) Performance Appraisal and Incentive & Restrictive Mechanism

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

(VI) Interested parties

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

(VII) Information disclosure and transparency

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

(VIII) Non-standard governance

1. Type of non-standard governance matter existed

There was a situation that the Company disclosed undisclosed information.

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

The Company provided monthly financial data to the principal shareholder.

3. Reasons for the related non-standard governance existed

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

4. Impact on Company independence

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

(IX) Development of company’s special governance activity, formulation and implementation of

registration and management system for the insider of inside information

1. Establishment and perfection of management system for the insider of inside information

To further standardize the company's inside information management behavior, strengthen the company's inside information confidential work, and maintain the fair principle of information disclosure, the company established Inside Information and Insider Management System in Konka Group Co., Ltd. According to Corporate Law, Security Law, Information Disclosure Management Method for Listed Company, Stock Listing Rule in Shenzhen Stock Exchange and other related provisions in the laws, regulations and regulatory documents; Within the report term, the company amends Inside Information and Insider Management System according to CSRC Provisions on Establishing the Inside Information and Insider Registration Management System in Listed Company, Shenzhen Security Regulatory Bureau Notice to Further Conduct the Inside Information Management Work in Shenzhen Listed Company and other related documents. The company strictly implements the system in the information disclosure work, meanwhile, carefully implements the company's inside information and insider registration and management method, registers the insider of inside information, and report to Shenzhen Stock Exchange and Shenzhen Security Regulatory Bureau according to the provision.

The company conducted the special inspection on the inside information management during the occurrence of major event in 2016 and the annual report in 2016. After the inspection, the company actually realized that the insider of inside information strictly kept the confidential provision, did not disclose, divulge and spread the company's inside information to the outside, the insider of inside information did not buy and sell the company's share with the inside information before disclosing the major sensitive information influencing the company's share price, there was no investigation and rectification from the regulatory department during the editing, review and disclosure of regular report and major event. Management Rules for Inside Information and Insider Management System was implemented in place and controlled effectively.

2. Establishment and implementation of external information user's management system

To strengthen the management on the reporting of company's inside information, the company establishes Inside Information Reporting Management System, and prescribes the inside information reporting range, reporting procedure, responsibility division and other matters according to Security Law in People's Republic of China, Information Disclosure Management Method in Listed Company, Inside Information and Insider Management System in Konka Group Co., Ltd. and other related provisions in the laws, regulations and regulatory documents.

The company conducted the special inspection on the inside information reporting status during the occurrence of major event in 2016 and the annual report in 2016. After the inspection, the company's inside information reporting status complies with the requirements in Inside Information Reporting Management System. Inside Information Reporting Management System was

implemented in place and controlled effectively.

Whether it exist any significant difference between the actual corporate governance and the normative documents related to the government of the listed companies issued by CSRC or not?

☐ Yes ☒ No

There is no significant difference between the actual corporate governance and the normative documents related to the government of the listed companies issued by CSRC.

II. Particulars about the Company's separation from the controlling shareholder in respect of business, personnel, assets, organization and financial affairs

Within the Reporting Period, the company was fully separated from the controlling shareholders in terms of business, staff, assets, organs, and finance, which owned independent legal representative and main status in market competition and had independent accounting, as well as possessed complete business and the ability of independent operation to face the market.

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

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

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

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

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

III. Horizontal competition

☐ Applicable ☒ Not applicable

IV. Particulars about annual shareholders' general meetings and temporary shareholders' general meetings held during the Reporting Period

1. Particulars about annual shareholders' general meetings during the Reporting Period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
2016 1 st Extraordinary General Meeting	Extraordinary General Meeting	4.83%	21 Mar. 2016	22 Mar. 2016	http://www.cninfo.com.cn/finalpage/2016-03-22/1202063800.PDF
2014 Annual General Meeting	Annual General Meeting	30.04%	29 Apr. 2016	30 Apr. 2016	http://www.cninfo.com.cn/finalpage/2016-04-30/1202282189.PDF
2016 2 nd Extraordinary General Meeting	Extraordinary General Meeting	38.23%	19 May 2016	20 May 2016	http://www.cninfo.com.cn/finalpage/2016-05-20/1202330961.PDF

2. Special Shareholders' General Meeting applied by the preferred stockholder with restitution of voting right

☐ Applicable ☒ Not applicable

V. Performance of the Independent Directors

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

Particulars about the independent directors attending the Board sessions						
Independent director	Sessions required to attend during the Reporting Period	Attendance in person	Attendance by way of telecommunication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times
Sun Shengdian	14	1	12	0	1	No
Xiao Zuhe	14	2	12	0	0	No
Zhang Shuhua	14	2	12	0	0	No

Explanation on failing to present in person for two consecutive sessions

N/A

2. Particulars about Independent Directors proposing objection on relevant events

Whether Independent Directors propose objection on relevant events or not?

√ Yes ☐ No

Name of the Independent Directors	Events of the Independent Directors proposed objection	Content of the objection
Xiao Zuhe	Proposal to Amend the Terms Related with Company's Articles of Association	Abstention vote
Explanation of the Independent Directors proposing objection on relevant events	<p>Amendments to the provisions of the amendment to the articles relating to the articles of association of the company, Mr Shaw thinks that the scheme has its pros and cons, and therefore abstain from voting.</p> <p>Amendments to the provisions of the amendment to the articles relating to the articles of association of the company, Mr Shaw thinks that the scheme has its pros and cons, and therefore abstain from voting.</p>	

3. Other explanations about the duty performance of independent directors

Whether advices to the Company from independent directors were adopted or not

√ Yes ☐ No

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

During the Reporting Period, the Independent Directors of the Company vigorously attended the relevant meetings, carefully reviewed each proposal, objectively stated their own views and opinions, knew of the R&D progress and the operating situation of the Company, the execution situation of the internal control construction and the resolutions of the meetings of the Board of Directors and as well as the Annual General Meeting.

As the expert of the involved each field, the Independent Directors put forward the constructive advices by use of their own professional knowledge towards the internal management, including: to strengthen the business process management, to strengthen the researches on the cutting-edge technology of the color TV and to strengthen the cash flow and the accounts receivable management and so on. The Company carefully adopted the advices from the Independent Directors and constantly improved and enhanced the management level of the Company.

VI. Performance of the Special Committees under the Board during the Reporting Period**(I) Summary report on the performance of the Audit Committee subject to the Board of Directors**

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

the Board. In Y2016, based on the principle of faithfulness, the major execution situations of the Financial Audit Committee under the Board were as follows:

1. Reviewed financial statements of Annual Report 2015, First Quarterly Report 2016, Semi-Annual Report 2016, and the Third Quarterly Report 2016, and had no objection to the aforesaid financial statements.
2. During the preparation of Annual Report 2016, the Company fulfilled the following duties:
 - (1) Issued the Notes of the Events such as the Audit Work Arrangement of the Financial Audit Committee and approved the arrangement for 2016 annual auditing of the Company;
 - (2) Issued Audit Opinion of the Financial Audit Committee on Financial Accounting Statements Prepared by the Company before CPAs' entry of Audit;
 - (3) Communicated and exchanged ideas with the CPAs responsible for annual auditing on the problems occurring during the auditing;
 - (4) Issued Audit Opinion on Financial Accounting Statements of the Company after CPAs Issued the Preliminary Audit Opinion;
 - (5) Issued Summary Report on 2016 Annual Auditing by Ruihua Certified Public Accountants;
 - (6) Submitted the Resolution of the 2016 Annual Financial Statement of the Company to the Board;
 - (7) Submitted the Resolution of engagement of the CPAs in 2017 to the Board;
3. In 2016, according to the authorization of the Board of Directors, the Financial Audit Committee accepted the report on the work of the Company's Internal Auditing Department and carried out management over the Internal Auditing Department of the Company and its work.

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

The company had constituted the Work Rules for the Remuneration and Appraisal Committee under the Board which illustrated the exact personnel, obligations and rights of the Remuneration and Appraisal Committee under the Board. In Y2016, based on the principle of faithfulness, the major execution situations of the Remuneration and Appraisal Committee under the Board were as follows: During the preparation of Annual Report 2016, the Remuneration and Appraisal Committee subject to the Board of Directors issued the Audit Opinion on the Disclosed Remuneration Situation of the Directors, Supervisors and Senior Executives of the Company, which considered the condition of the remuneration of the Directors, Supervisors and Senior Executives of the Company disclosed in the 2016 Annual Report was verified. The disclosed remuneration situation of the Directors, Supervisors and Senior Executives of the Company met with the remuneration management system without any situation that violated the remuneration management system of the Company.

(III) Summary report on the performance of the Nominations Committee subject to the Board of Directors

The company had constituted the Work Rules for the Nominations Committee under the Board

which illustrated the exact personnel, obligations and rights of the Nominations Committee under the Board. In Y2016, based on the principle of faithfulness, the Nominations Committee under the Board did not submit the proposal.

(IV) Summary report on the performance of the Strategy Committee subject to the Board of Directors

The company had constituted the Work Rules for the Strategy Committee under the Board which illustrated the exact personnel, obligations and rights of the Strategy Committee under the Board. In Y2016, based on the principle of faithfulness, submitted the Proposal on the Developing Strategies of Konka by the Strategy Committee.

VII. Performance of the Supervisory Committee

During the Reporting Period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

☐ Yes ☒ No

The supervisory committee made no objection to events under supervision during the Reporting Period .Meeting	Convened Date	Supervisors Present	Name of the Resolutions of the Meeting	Resolutions	Disclosure Index on the Specified Website for the Resolutions	Disclosure Date
7 th Session of the 8 th Board of	26 Jan. 2016	Hao Gang, Wang Youlai, Li Jun	Proposal to Formulate the Specification on the Behavior of	Unanimously voted agreed by the participants	http://www.cninfo.com.cn/finalpage/2016-01-27/1201943172	27 Jan. 2016

Meeting			Director, Supervisor and Senior Manager		.PDF	
8 th Session of the 8 th Board of Meeting	6 Apr. 2016	Hao Gang, Wang Youlai, Li Jun	2015 Annual Report, 2015 Work Report of the Board of Supervisors, 2015 Self-Assessment Report of Internal Control, Proposal on the General Election of the Non-employee Supervisor of the Board of Supervisors	Unanimously voted agreed by the participants	http://www.cninfo.com.cn/finalpage/2016-04-08/1202150026 .PDF	8 Apr. 2016
9 th Session of the 8 th Board of Meeting	12 Apr. 2016	Hao Gang, Wang Youlai, Li Jun	Proposal on Company's Complying with the condition for Privately Issuing A-shares; Proposal on Company's Privately Issuing A-shares to Specific Object; Proposal on the Company's Note for not Compiling the Special Report for Previous Raised Fund Using Status; Proposal on Company's Feasibility Analysis Report for Privately Issuing A-shares Fund Usage; Proposal on the Company's Plan on Privately Issuing A-shares;	Unanimously voted agreed by the participants	http://www.cninfo.com.cn/finalpage/2016-04-13/1202169866 .PDF	13 Apr. 2016

			<p>Proposal to Invite the General Meeting of Shareholders to Authorize the Board of Directors to handle the related Matters on the Matters related with Privately Issuing A-shares;</p> <p>Proposal on Formulating the Shareholder Return Planning in Future Three Years (2016-2018) in Konka Group Co.,Ltd.; Proposal to Amend Raising Fund Management System in Konka Group Co.,Ltd.;</p> <p>Proposal on the Company's Involved Associated Trade Matter on Privately Issuing A-shares;</p> <p>Proposal on Agreeing Overseas Chinese Town Enterprise Co. To Free from Increasing the Stock with offer;</p> <p>Proposal on Signing Effective Share Subscribing Contract Attached with Condition between the Company and Subscribing</p>			
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			Object; Proposal on Adopting Filling Measures for Diluted Returns at Sight for Privately Issuing A-shares; Proposal on the Commitment for Adopting Filling Measures for Diluted Returns at Sight for Privately Issuing A-shares released by All Directors, Senior Managers and Controlling Shareholders.			
10 th Session of the 8 th Board of Meeting	27 Apr. 2016	Hao Gang, Wang Youlai, Li Jun	2016 1 st Quarter Report	Unanimously voted agreed by the participants	N/A	
11 th Session of the 8 th Board of Meeting	26 Aug. 2016	Hao Gang, Wang Youlai, Li Jun	2016 Semi-annual Report	Unanimously voted agreed by the participants	N/A	
12 th Session of the 8 th Board of Meeting	28 Oct. 2016	Hao Gang, Wang Youlai, Li Jun	2016 3 rd Quarter Report	Unanimously voted agreed by the participants	N/A	

VIII. Appraisal and incentive mechanism for senior management staffs

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

management. The senior management staff was appraised by the Board of Directors, which was supervised by the Supervisory Committee.

IX. Internal Control

1. Particulars about significant defects found in the internal control during Reporting Period

☐ Yes ☒ No

2. Self-appraisal report on internal control

Disclosure date of the Self-appraisal Report on Internal Control		31 Mar. 2017
Disclosure index of the Self-appraisal Report on Internal Control		www.cninfo.com.cn
The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements		More than 90%
The proportion of operation revenue included in evaluation scope entities in the Company's operation revenue of the consolidated financial statements		More than 90%
Defect judging standards		
Category	Financial Report	Non-Financial Report
Qualitative criteria	<p>I. Those with the following characteristics should be recognized as great defect: 1. found out there were malpractices of the Directors, Supervisors and Senior Executives of the Company that formed significant influences on the financial report; 2. the Company revised the published financial report and revised the great misstatements caused by the malpractices or the mistakes; 3. CPA found out there was great misstatement of the current financial report while didn't found during the operating process of the internal control; 4. the supervision of the internal control by the Finance Audit Committee and the internal audit institution of the Company was invalid; 5. not yet revised the great defect after the reasonable period as which was discovered among the internal control assessment; 6. the significant business lacked of systematic control or the systematic control was invalid. II. Those with the following characteristics should be recognized as significant defect: 1. not yet chosen or applied the accounting polices according to the generally accepted accounting standards; 2. not yet constructed the anti-spam process or control measures; 3. as for the accounts disposal of the unconventional or special transactions, there was no</p>	<p>I. The following signs indicated there may exist great defect among the internal control of the non-financial report; 1. the operating activities of the enterprises seriously violated the national laws and regulations; 2. negative news frequently disclosed by the media which caused significant harm to the Company's reputation; 3. the core management team left their positions one after another or the outflow of the key position personnel was serious; 4. significant business lacked of systematic control of the system was invalid; great defect discovered among the internal control assessment not yet be revised in time. II. The following signs indicated there may exist significant defect among the internal control of the non-financial report: 1. negative news occurred rather frequently which caused rather big harm to the Company's</p>

	<p>corresponding control mechanism or execution or the existence of the corresponding supplement control; 4. there was one or multiple defects during the control of the compile of the financial report at the period-end and could not reasonable guarantee the statement of the compiled financial report reach the real and accurate target; 5. not yet revised the significant defect after the reasonable period as which was discovered among the internal control assessment. III. Other defects from the internal control hadn't reached the recognition standards of the great defect or significant defect should be recognized as general defect.</p>	<p>reputation; 2. the outflow of the key position personnel was rather serious; 3. there was obvious defect among the control system of the significant business; 4. the significant defect found among the internal control assessment not yet be revised in time. III. Other defects from the internal control hadn't reached the recognition standards of the great defect or significant defect, should be recognized as general defect.</p>
Quantitative criteria	<p>Great defect: potential misstatement amount $\geq 1\%$ of the gross profit margin of the 2015 consolidated financial report of the Company; significant defect: 0.5% of the gross profit margin of the 2015 consolidated financial report of the Company \leq potential misstatement amount $< 1\%$ of the gross profit margin of the 2015 consolidated financial report of the Company; general defect: potential misstatement amount $< 0.5\%$ of the gross profit margin of the 2015 consolidated financial report of the Company.</p>	<p>Reference to the implementation of quantitative standards for internal control defect assessment of financial reporting.</p>
Number of significant defects of financial report (Piece)	0	
Number of significant defects of non-financial report (Piece)	0	
Number of important defects of financial report (Piece)	0	
Number of important defects of non-financial report (Piece)	0	

X. Audit report on internal control

√ Applicable □ Not applicable

Audit opinion paragraphs in the Audit Report on Internal Control
We considered that, in all the significant aspects, Konka Group maintained efficient internal control of the financial report

according to the C-SOX and the relevant regulations on 31 Dec. 2016.	
Particulars about Audit Report on Internal Control	Disclosure
Type of Audit Report on Internal Control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

Section X Corporate Bonds

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

No.

Section XI Financial Report

I Auditor's report

Type of auditor's opinion	Standard unqualified opinion
Date of signing the auditor's report	03/29/2017
Name of the auditor	Ruihua Certified Public Accountants (LLP)
No. of the auditor's report	Ruihua Audit Report [2017] No. 44050001
Name of CPA	Tang Qimei, Shen Lingzhi

Text of the Auditor's Report

Auditor's Report

Ruihua Audit Report [2017] No. 44050001

All shareholders of Konka Group Co., Ltd.,

We have audited the accompanying financial statements of Konka Group Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at December 31, 2016, the Company's and consolidated income statements, the Company's and consolidated cash flow statements, the Company's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

1. The management's responsibility for the financial statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Such a 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.

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We

have conducted our audit in accordance with the Audit Standards for Chinese Registered Accountants, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 risks assessments, the auditor considers the internal control related to the preparation of the financial statements so as to design proper audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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, which provides a basis for us to express auditing opinion.

3. Auditor's opinion

In our opinion, the financial statements of the Company have been prepared according to the Accounting Standards for Business Enterprises in all material aspects, which give a fair view of the Company's and consolidated financial positions as at December 31, 2016 and the Company's and consolidated operating results and cash flows for the year then ended.

Ruihua Certified Public Accountants (LLP) Chinese CPA:

Beijing · China Chinese CPA:

March 29, 2017

II Financial statements

Currency unit for the financial statements: RMB

1. Consolidated balance sheet

Prepared by Konka Group Co., Ltd.

Unit: RMB

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	2,617,606,256.42	1,706,446,928.92
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss	252,084,994.12	33,196,377.28
Derivative financial assets		
Notes receivable	2,871,633,498.82	2,880,860,750.44
Accounts receivable	2,307,965,548.49	2,048,813,439.34
Accounts paid in advance	274,810,658.72	193,664,620.66
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable	1,342,063.84	7,426,409.52
Dividends receivable	10,171,609.48	
Other accounts receivable	222,389,921.80	160,165,779.82
Financial assets purchased under agreements to resell		
Inventories	4,287,413,944.35	2,882,515,913.28
Assets held for sale		
Non-current assets due within one year		
Other current assets	562,204,116.20	647,311,938.45
Total current assets	13,407,622,612.24	10,560,402,157.71
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	314,967,639.36	311,974,282.66
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	309,648,120.37	190,573,524.29
Investment property	222,086,904.26	227,718,178.53
Fixed assets	1,573,978,914.03	1,763,503,189.50
Construction in progress	315,536,437.05	207,854,180.88
Engineering materials		

Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	302,045,627.44	352,591,887.48
R&D expenses		
Goodwill	3,597,657.15	3,597,657.15
Long-term deferred expenses	91,901,533.39	82,846,982.07
Deferred tax assets	701,734,152.68	549,305,508.01
Other non-current assets		
Total non-current assets	3,835,496,985.73	3,689,965,390.57
Total assets	17,243,119,597.97	14,250,367,548.28
Current liabilities:		
Short-term borrowings	6,562,834,226.51	4,150,773,195.76
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss	337,263.13	
Derivative financial liabilities		
Notes payable	863,709,138.39	929,176,857.06
Accounts payable	3,160,073,575.56	2,980,416,983.25
Accounts received in advance	1,201,426,223.70	349,784,807.32
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	273,059,516.65	279,631,258.71
Taxes payable	121,905,421.18	92,097,951.90
Interest payable	21,344,172.45	20,552,763.14
Dividends payable		
Other accounts payable	1,444,349,986.74	1,550,931,573.35
Reinsurance premiums payable		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year	41,025.60	573,398,959.65

Other current liabilities		
Total current liabilities	13,649,080,549.91	10,926,764,350.14
Non-current liabilities:		
Long-term borrowings	70,000,000.00	23,700,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable	30,102,564.14	30,133,333.37
Long-term payroll payable	18,151,659.90	23,435,856.86
Special payables		
Provisions	7,551,985.10	4,629,554.61
Deferred income	130,571,125.42	162,786,004.20
Deferred tax liabilities	19,162,818.83	3,468,031.97
Other non-current liabilities		
Total non-current liabilities	275,540,153.39	248,152,781.01
Total liabilities	13,924,620,703.30	11,174,917,131.15
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	79,723,092.04	78,209,535.19
Less: Treasury shares		
Other comprehensive income	-6,932,104.65	3,155,744.00
Special reserve		
Surplus reserve	847,908,466.28	847,908,466.28
Provisions for general risks		
Retained earnings	-427,163,254.63	-522,836,282.66
Equity attributable to owners of the Company	2,901,481,607.04	2,814,382,870.81
Minority interests	417,017,287.63	261,067,546.32
Total owners' equity	3,318,498,894.67	3,075,450,417.13
Total liabilities and owners' equity	17,243,119,597.97	14,250,367,548.28

Legal representative: Liu Fengxi

Accounting head for this Report: Li Chunlei

Head of the accounting department: Li Chunlei

2. Balance sheet of the Company

Unit: RMB

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	982,562,273.45	502,899,530.83
Financial assets at fair value through profit/loss	39,894,844.12	7,184,035.29
Derivative financial assets		
Notes receivable	2,513,459,083.61	2,635,643,772.62
Accounts receivable	3,145,529,199.35	1,417,915,276.56
Accounts paid in advance	523,905,219.52	372,509,871.77
Interest receivable	4,502,350.43	14,901,123.48
Dividends receivable		
Other accounts receivable	1,725,494,161.08	938,447,798.08
Inventories	1,926,824,243.11	1,771,302,947.50
Assets held for sale		
Non-current assets due within one year		
Other current assets	505,418,961.79	530,272,796.83
Total current assets	11,367,590,336.46	8,191,077,152.96
Non-current assets:		
Available-for-sale financial assets	270,217,639.36	271,924,282.66
Held-to-maturity investments	170,000,000.00	352,000,000.00
Long-term accounts receivable		
Long-term equity investments	2,383,970,009.87	1,621,195,118.22
Investment property	222,086,904.26	227,718,178.53
Fixed assets	499,826,176.39	512,933,612.51
Construction in progress	11,754,885.34	12,619,010.21
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	90,880,022.23	88,336,594.02
R&D expenses		
Goodwill		
Long-term deferred expenses	66,995,753.17	57,865,790.98

Deferred tax assets	656,704,805.39	504,252,794.29
Other non-current assets		
Total non-current assets	4,372,436,196.01	3,648,845,381.42
Total assets	15,740,026,532.47	11,839,922,534.38
Current liabilities:		
Short-term borrowings	5,436,958,840.80	1,022,612,362.58
Financial liabilities at fair value through profit/loss	337,263.13	
Derivative financial liabilities		
Notes payable	1,454,982,347.31	377,002,860.08
Accounts payable	3,710,175,718.31	5,173,897,087.35
Accounts received in advance	322,402,357.59	251,204,710.89
Payroll payable	131,415,800.19	118,684,992.99
Taxes payable	19,823,949.08	31,360,675.68
Interest payable	23,767,528.97	7,761,519.53
Dividends payable		
Other accounts payable	1,760,751,455.81	1,667,884,936.14
Liabilities held for sale		
Non-current liabilities due within one year	0.00	
Other current liabilities		
Total current liabilities	12,860,615,261.19	8,650,409,145.24
Non-current liabilities:		
Long-term borrowings	40,000,000.00	
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Provisions	7,551,985.10	4,629,554.61
Deferred income	82,166,818.30	88,668,785.51
Deferred tax liabilities	12,026,251.50	1,935,167.63
Other non-current liabilities		
Total non-current liabilities	141,745,054.90	95,233,507.75
Total liabilities	13,002,360,316.09	8,745,642,652.99

Owners' equity:		
Share capital	2, 407, 945, 408. 00	2, 407, 945, 408. 00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	64, 794, 108. 39	46, 505, 607. 34
Less: Treasury shares		
Other comprehensive income	6, 714, 437. 62	1, 803, 252. 77
Special reserve		
Surplus reserve	847, 908, 466. 28	847, 908, 466. 28
Retained earnings	-589, 696, 203. 91	-209, 882, 853. 00
Total owners' equity	2, 737, 666, 216. 38	3, 094, 279, 881. 39
Total liabilities and owners' equity	15, 740, 026, 532. 47	11, 839, 922, 534. 38

3. Consolidated income statement

Unit: RMB

Item	December 31, 2016	December 31, 2015
1. Operating revenues	20, 299, 348, 136. 21	18, 395, 177, 035. 98
Including: Sales income	20, 299, 348, 136. 21	18, 395, 177, 035. 98
Interest income		
Premium income		
Fee and commission income		
2. Operating costs	20, 865, 416, 619. 07	20, 010, 568, 582. 72
Including: Cost of sales	17, 518, 330, 342. 99	16, 055, 497, 185. 62
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and surtaxes	111, 967, 480. 96	94, 523, 398. 90
Selling expenses	2, 285, 998, 285. 97	2, 448, 337, 549. 43
Administrative expenses	607, 579, 115. 65	695, 731, 013. 59
Finance costs	154, 764, 546. 12	350, 616, 323. 55

Asset impairment loss	186,776,847.38	365,863,111.63
Add: Profit on fair value changes (“-” means loss)	-14,617,369.08	32,591,836.13
Investment income (“-” means loss)	348,445,927.65	13,574,652.77
Including: Share of profit/loss of associates and joint ventures	12,738,812.54	-18,793,708.66
Exchange gains (“-” means loss)		
3. Operating profit (“-” means loss)	-232,239,924.29	-1,569,225,057.84
Add: Non-operating income	270,828,423.34	158,538,297.00
Including: Profit on disposal of non-current assets	5,205,974.43	1,431,893.68
Less: Non-operating expense	10,853,641.54	134,780,910.57
Including: Loss on disposal of non-current assets	2,967,838.13	12,339,287.69
4. Total profit (“-” means loss)	27,734,857.51	-1,545,467,671.41
Less: Corporate income tax	-64,440,500.57	-269,622,908.76
5. Net profit (“-” means loss)	92,175,358.08	-1,275,844,762.65
Net profit attributable to owners of the Company	95,673,028.03	-1,256,819,314.51
Minority interests’ income	-3,497,669.95	-19,025,448.14
6. Other comprehensive income net of tax	-10,293,358.91	-12,414,464.72
Other comprehensive income net of tax attributable to owners of the Company	-10,087,848.65	-13,015,733.91
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss	-10,087,848.65	-13,015,733.91
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets	4,965,780.75	928,330.73
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences	-15,053,629.40	-13,944,064.64
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests	-205,510.26	601,269.19
7. Total comprehensive income	81,881,999.17	-1,288,259,227.37

Attributable to owners of the Company	85,585,179.38	-1,269,835,048.42
Attributable to minority interests	-3,703,180.21	-18,424,178.95
8. Earnings per share		
8.1 Basic earnings per share	0.0397	-0.5219
8.2 Diluted earnings per share	0.0397	-0.5219

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

Legal representative: Liu Fengxi Accounting head for this Report: Li Chunlei

Head of the accounting department: Li Chunlei

4. Income statement of the Company

Unit: RMB

Item	December 31, 2016	December 31, 2015
1. Operating revenues	13,972,090,704.33	15,799,396,382.50
Less: Operating costs	12,336,816,440.54	14,456,947,091.06
Taxes and surtaxes	37,856,483.10	35,952,751.61
Selling expenses	1,655,163,345.34	1,754,767,878.82
Administrative expenses	418,505,210.84	365,394,474.96
Finance costs	222,678,508.21	32,911,021.52
Asset impairment loss	134,659,777.14	203,549,312.14
Add: profit on fair value changes ("-" means loss)	32,373,545.70	7,184,035.29
Investment income ("-" means loss)	146,984,583.30	60,463,823.25
Including: Share of profit/loss of associates and joint ventures	29,506,367.44	-4,991,699.40
2. Operating profit ("-" means loss)	-654,230,931.84	-982,478,289.07
Add: Non-operating income	136,056,632.09	128,884,576.48
Including: Profit on disposal of non-current assets	737,683.92	141,921.85
Less: Non-operating expense	5,807,098.97	102,453,940.21
Including: Loss on disposal of non-current assets	487,539.02	3,698,388.83
3. Total profit ("-" means loss)	-523,981,398.72	-956,047,652.80
Less: Corporate income tax	-144,168,047.81	-258,548,667.17
4. Net profit ("-" means loss)	-379,813,350.91	-697,498,985.63
5. Other comprehensive income net of tax	4,911,184.85	1,331,425.26
5.1 Other comprehensive income that will not be reclassified into profit and loss		

5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss	4,911,184.85	1,331,425.26
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
5.2.2 Profit/loss on fair value changes of available-for-sale financial assets	4,965,780.75	928,330.73
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences	-54,595.90	403,094.53
5.2.6 Other		
6. Total comprehensive income	-374,902,166.06	-696,167,560.37
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	December 31, 2016	December 31, 2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	18,285,259,305.39	18,443,639,036.67
Net increase in money deposits from customers and interbank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	358,031,487.94	430,680,435.37

Cash received from other operating activities	436,160,333.16	443,686,424.74
Subtotal of cash inflows from operating activities	19,079,451,126.49	19,318,005,896.78
Cash paid for goods and services	16,509,132,778.70	14,488,034,947.99
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and interbank placements		
Cash paid for claims of original insurance contracts		
Interest, fees and commissions paid		
Cash paid as policy dividends		
Cash paid to and for employees	1,649,736,066.93	1,738,319,265.97
Taxes paid	656,221,900.55	616,762,165.13
Cash paid for other operating activities	1,247,616,982.54	1,185,289,035.03
Subtotal of cash outflows due to operating activities	20,062,707,728.72	18,028,405,414.12
Net cash flows from operating activities	-983,256,602.23	1,289,600,482.66
2. Cash flows from investing activities:		
Cash received from retraction of investments	31,642,659.96	145,165,277.44
Cash received as investment income	59,446,152.79	23,260,902.17
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,491,419.45	3,631,054.50
Net cash received from disposal of subsidiaries or other business units		8,889.24
Cash received from other investing activities	9,883,683,340.31	3,646,914,849.00
Subtotal of cash inflows from investing activities	9,979,263,572.51	3,818,980,972.35
Cash paid to acquire fixed assets, intangible assets and other long-term assets	172,054,580.04	234,096,470.72
Cash paid for investment	231,850,384.41	78,306,112.00
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	9,472,940,943.57	3,658,501,268.22
Subtotal of cash outflows due to investing activities	9,876,845,908.02	3,970,903,850.94
Net cash flows from investing activities	102,417,664.49	-151,922,878.59
3. Cash flows from financing activities:		
Cash received from capital contributions	262,112,331.23	78,701,328.03
Including: Cash received from minority shareholder investments by subsidiaries	262,112,331.23	71,151,328.03
Cash received as borrowings	6,897,808,624.31	2,937,450,105.14

Cash received from issuance of bonds		
Cash received from other financing activities	12,808,000.00	118,110,469.89
Subtotal of cash inflows from financing activities	7,172,728,955.54	3,134,261,903.06
Repayment of borrowings	5,256,766,118.99	4,071,657,524.17
Cash paid for interest expenses and distribution of dividends or profit	139,915,601.19	140,363,063.80
Including: dividends or profit paid by subsidiaries to minority interests	461,972.51	1,343,265.96
Cash paid for other financing activities	443,297,884.17	176,394,710.03
Sub-total of cash outflows due to financing activities	5,839,979,604.35	4,388,415,298.00
Net cash flows from financing activities	1,332,749,351.19	-1,254,153,394.94
4. Effect of foreign exchange rate changes on cash and cash equivalents	80,837,680.34	-35,606,194.86
5. Net increase in cash and cash equivalents	532,748,093.79	-152,081,985.73
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	2,020,902,945.14	1,488,154,851.35

6. Cash flow statement of the Company

Unit: RMB

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	11,834,479,194.94	12,246,114,167.03
Tax refunds received	160,071,895.68	179,546,436.62
Cash received from other operating activities	2,128,714,960.22	1,745,067,849.17
Subtotal of cash inflows from operating activities	14,123,266,050.84	14,170,728,452.82
Cash paid for goods and services	12,638,560,047.48	10,398,532,975.42
Cash paid to and for employees	915,901,145.04	923,142,975.45
Taxes paid	281,931,582.32	270,882,083.75
Cash paid for other operating activities	3,263,567,880.24	1,780,957,816.25
Subtotal of cash outflows due to operating activities	17,099,960,655.08	13,373,515,850.87
Net cash flows from operating activities	-2,976,694,604.24	797,212,601.95
2. Cash flows from investing activities:		
Cash received from retraction of investments	12,427,433.07	130,102,809.09
Cash received as investment income	51,737,043.81	59,458,173.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,280,614.55	57,765,301.70
Net cash received from disposal of subsidiaries or other business		

units		
Cash received from other investing activities	10,006,846,873.48	3,522,884,590.00
Subtotal of cash inflows from investing activities	10,072,291,964.91	3,770,210,874.54
Cash paid to acquire fixed assets, intangible assets and other long-term assets	41,220,039.50	48,440,040.10
Cash paid for investment	642,016,000.00	196,857,096.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	10,501,287,664.77	3,774,884,590.00
Subtotal of cash outflows due to investing activities	11,184,523,704.27	4,020,181,726.10
Net cash flows from investing activities	-1,112,231,739.36	-249,970,851.56
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings	5,251,690,361.51	61,422,000.00
Cash received from issuance of bonds		
Cash received from other financing activities	369,933,493.64	994,745,951.79
Subtotal of cash inflows from financing activities	5,621,623,855.15	1,056,167,951.79
Repayment of borrowings	626,502,931.51	91,422,000.00
Cash paid for interest expenses and distribution of dividends or profit	93,670,105.28	16,842,865.65
Cash paid for other financing activities	352,371,563.61	2,007,026,133.52
Sub-total of cash outflows due to financing activities	1,072,544,600.40	2,115,290,999.17
Net cash flows from financing activities	4,549,079,254.75	-1,059,123,047.38
4. Effect of foreign exchange rate changes on cash and cash equivalents	35,193,217.72	-1,310,869.10
5. Net increase in cash and cash equivalents	495,346,128.87	-513,192,166.09
Add: Opening balance of cash and cash equivalents	478,267,624.53	991,459,790.62
6. Closing balance of cash and cash equivalents	973,613,753.40	478,267,624.53

7. Consolidated statement of changes in owners' equity

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Retained earnings
Preferred shares		Perpetual bonds	Other										
1. Balance at the end of the prior year	2, 407, 945, 408. 00				78, 209, 535. 19		3, 155, 744. 00		847, 908, 466. 28		-522, 836, 282. 66	261, 067, 546. 32	3, 075, 450, 417. 13
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	2, 407, 945, 408. 00				78, 209, 535. 19		3, 155, 744. 00		847, 908, 466. 28		-522, 836, 282. 66	261, 067, 546. 32	3, 075, 450, 417. 13

3. Increase/ decrease in the period (“-” means decrease)					1,513,556.85		-10,087,848.65				95,673,028.03	155,949,741.31	243,048,477.54
3.1 Total comprehensive income							-10,087,848.65				95,673,028.03	-3,703,180.21	81,881,999.17
3.2 Capital increased and reduced by owners												159,564,888.59	159,564,888.59
3.2.1 Ordinary shares increased by shareholders												261,842,331.23	261,842,331.23
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners’ equity													
3.2.4 Other												-102,277,442.64	-102,277,442.64
3.3 Profit distribution													
3.3.1 Appropriation to surplus reserve													
3.3.2 Appropriation to													

general risk provisions													
3.3.3 Appropriation to owners (or shareholders)													
3.3.4 Other													
3.4 Internal carry-forward of owners' equity					-35,543,805.21								-35,543,805.21
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other					-35,543,805.21								-35,543,805.21
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													

3.6 Other					37,057,362.06						88,032.93	37,145,394.99	
4. Closing balance	2,407,945,408.00				79,723,092.04		-6,932,104.65		847,908,466.28		-427,163,254.63	417,017,287.63	3,318,498,894.67

2015

Unit: RMB

Item	2015												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings		
Preference shares		Perpetual bonds	Other										
1. Balance at the end of the prior year	1, 203, 972, 704. 00				1, 289, 403, 563. 99		16, 171, 477. 91		847, 908, 466. 28		746, 022, 758. 89	193, 977, 533. 95	4, 297, 456, 505. 02
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the	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

year													
3. Increase/ decrease in the period (“-” means decrease)	1,203,972,704.00				-1,211,194,028.80		-13,015,733.91				-1,268,859,041.55	67,090,012.37	-1,222,006,087.89
3.1 Total comprehensive income							-13,015,733.91				-1,256,819,314.51	-18,424,178.95	-1,288,259,227.37
3.2 Capital increased and reduced by owners												65,749,452.92	65,749,452.92
3.2.1 Ordinary shares increased by shareholders												65,749,452.92	65,749,452.92
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other													
3.3 Profit distribution											-12,039,727.04	19,565,831.91	7,526,104.87
3.3.1 Appropriation to													

surplus reserve													
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)											-12,039,727.04	-1,343,265.96	-13,382,993.00
3.3.4 Other												20,909,097.87	20,909,097.87
3.4 Internal carry-forward of owners' equity	1,203,972,704.00				-1,203,972,704.00								
3.4.1 New increase of capital (or share capital) from capital reserve	1,203,972,704.00				-1,203,972,704.00								
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
3.5 Special reserve													
3.5.1													

Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other					-7,221,324.80							198,906.49	-7,022,418.31
4. Closing balance	2,407,945,408.00				78,209,535.19		3,155,744.00		847,908,466.28		-522,836,282.66	261,067,546.32	3,075,450,417.13

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

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	2,407,945,408.00				46,505,607.34		1,803,252.77		847,908,466.28	-209,882,853.00	3,094,279,881.39
Add: Changes in accounting policies	0.00				0.00		0.00		0.00	0.00	
Correction of errors in prior periods	0.00				0.00		0.00		0.00	0.00	
Other	0.00				0.00		0.00		0.00	0.00	
2. Balance at the beginning of the year	2,407,945,408.00				46,505,607.34		1,803,252.77		847,908,466.28	-209,882,853.00	3,094,279,881.39
3. Increase/ decrease in the period ("-" means decrease)					18,288,501.05		4,911,184.85			-379,813,350.91	-356,613,665.01

3.1 Total comprehensive income							4,911,184.85			-379,813,350.91	-374,902,166.06
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											
3.3 Profit distribution											
3.3.1 Appropriation to surplus reserve											
3.3.2 Appropriation to owners (or shareholders)											
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											

3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other					18,288,501.05						18,288,501.05
4. Closing balance	2,407,945,408.00				64,794,108.39		6,714,437.62		847,908,466.28	-589,696,203.91	2,737,666,216.38

2015

Unit: RMB

Item	2015										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	1,203,972,704.00				1,250,283,488.79		471,827.51		847,908,466.28	499,655,859.67	3,802,292,346.25
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	1,203,972,704.00				1,250,283,488.79		471,827.51		847,908,466.28	499,655,859.67	3,802,292,346.25
3. Increase/ decrease in the period ("-" means decrease)	1,203,972,704.00				-1,203,777,881.45		1,331,425.26			-709,538,712.67	-708,012,464.86
3.1 Total comprehensive income							1,331,425.26			-697,498,985.63	-696,167,560.37
3.2 Capital increased and reduced	1,203,972,704.00				-1,203,972,704.00						

by owners											
3.2.1 Ordinary shares increased by shareholders	1, 203, 972, 704. 00				-1, 203, 972, 704. 00						
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											
3.3 Profit distribution										-12, 039, 727. 04	-12, 039, 727. 04
3.3.1 Appropriation to surplus reserve											
3.3.2 Appropriation to owners (or shareholders)										-12, 039, 727. 04	-12, 039, 727. 04
3.3.3 Other										0. 00	
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											

3.6 Other					194,822.55						194,822.55
4. Closing balance	2,407,945,408.00				46,505,607.34		1,803,252.77		847,908,466.28	-209,882,853.00	3,094,279,881.39

Konka Group Co., Ltd.

Notes of 2016 Financial Statement

(Monetary unit is RMB unless otherwise stated)

I. Company Profile

1. Establishment

Konka Group Co., Ltd. (hereinafter referred to as “Company” or “the Company”), is a joint-stock limited company reorganized from the former Shenzhen Konka Electronic Co., Ltd. in August 1991 upon approval of the People’s Government of Shenzhen Municipality, and has its ordinary shares (A-share and B-share) listed on Shenzhen Stock Exchange with prior consent from the People’s Bank of China Shenzhen Special Economic Zone Branch. On August 29, 1995, the Company was renamed to “Konka Group Co., Ltd.” (credibility code: 914403006188155783) with its main business falling into electronic industry. And now the headquarters locates in No. 28 of No. 12 of Keji South Rd., Science & Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province.

2. Share Capital Changes upon Establishment

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

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

On April 10, 1993, the Proposal on Profit Distribution and Dividend Payout 1992 was

adopted at the second general meeting of shareholders of the Company. With approval from the SZBF No. 2 [1993] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY 1992 as of April 30, 1993: distributing RMB 0.90 in cash plus 3.5 bonus shares for every 10 shares to all shareholders. The total capital stock reached 187,473,150 shares after this distribution.

On April 18, 1994, the Proposal on Profit Distribution and Dividend Payout 1993 was adopted at the third general meeting of shareholders of the Company. With approval from the SZBF No. 115 [1994] document as issued by Shenzhen Securities Regulatory Office, the Company began to perform dividend policy for FY1993 as of June 10, 1994: distributing RMB 1.10 in cash plus 5 bonus shares (including 4.4 profit bonus shares and 0.6 bonus share capitalized from capital public reserve) for every 10 shares to all shareholders. The total capital stock reached 281,209,724 shares after this distribution and capitalization from capital public reserve.

On June 2, 1994, in accordance with the provisions that “staff shares could go public and be transferred six months after listing”, as jointly promulgated by the State Commission for Restructuring the Economic System and the State Council’s Securities Commission, the staff shares of the Company was planned to be listed on the flow on June 6, 1994, with the prior consent of Shenzhen Securities Regulatory Office and Shenzhen Stock Exchange.

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

On February 6, 1996, the Proposal on Share Allotment Modes 1996 was adopted at the 1996 interim general metering of shareholders of the Company. With approval from the SZBF No. 5 [1996] document as issued by Shenzhen Securities Regulatory Office, and reexamination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on July 16, 1996 and October 29, 1996, all shareholders were respectively allotted three shares for every ten existing shares held at RMB 6.28/A-share and HKD 5.85/B-share. Corporate shareholders took their respective existing shares as bases for full subscription of the allocable shares. The total capital stock

reached 365,572,641 shares after this allotment.

On January 25, 1998, the Plan on Share Allotment 1998 was adopted at the 1998 interim general meeting of shareholders of the Company. With approval from the ZZBZ No. 29 [1998] document as issued by Shenzhen Securities Regulatory Office, and ZJSZ No.64 [1998] document as issued by China Securities Regulatory Commission, on July 15, 1998, negotiable A-shares were allotted in proportion of 3:10 at RMB 10.50/A-share. For such reasons as continued weakness in B-share secondary market (lower than share allotment price), B-share negotiation and allotment plan was canceled, and the corporate shareholders of the Company waived the preemptive right. The total capital stock reached 389,383,603 shares after this allotment.

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

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

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

On April 3, 2008, the 7th meeting of the sixth Board of Directors was convened, during which the following resolutions were discussed and adopted: based on the total capital stock of 601,986,352 shares for the year ended December 31, 2007, capitalization from capital public reserve was made to all shareholders at a proportion of 1:1, namely 10 new shares for every 10 existing shares. And the said resolution was subject to approval by the 2007 annual general meeting of shareholders convened on May 26, 2008. The Company, in June 2008,

implemented the capitalization from capital public reserve and went through the formalities for transfer registration with China Securities Depository and Clearing Corporation Limited. On December 16, 2008, with approval from the SMGZF No. 2662 [2008] document as issued by Shenzhen Bureau of Trade and Industry, the Company was agreed to increase its share capital, and went through the formalities for registration of changes with the administration for industry and commerce on April 10, 2009. The total capital stock reached 1,203,972,704 shares after change.

According to the regulations of the 2015 1st Extraordinary General Meeting and the revised articles of the Company, the Company applied to increase the registered capital of RMB1,203,972,704.00, which totally turned into capital reserve with the altered registered capital of RMB2,407,945,408.00 and managed the industrial and commercial alternation registration on 28 Jan. 2016 with the altered share capital of 2,407,945,408 shares.

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

management; and self-owned property leasing and management services, recovery of waste electrical appliances and electronic products (excluding 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 Company and its subsidiaries are mainly engaged in the production and sales of color TVs, white goods, mobile phones, etc.; trading; real estate development and marketing.

5. The financial statements contained herein have been approved for issue by the Board of the Company on March 29, 2017.

6. There were 39 subsidiaries included in the consolidation scope of 2016 of the Company, and please refer to the Notes VIII. "Equities among other entities" for details. There were 4 subsidiaries increased and 10 decreased in the consolidation scope of the Reporting Period over the last period of the Company, and the gains and losses as well as the cash flows of 10 decreased subsidiaries before the date losing the control right should be recorded in the consolidation of the Reporting Period and please refer to the Notes VII. "Changes of the consolidation scope" for details.

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

Corporate name	Abbreviation
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Household Appliances Co., Ltd.	Konka Household Appliances
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Shenzhen Konka Electrical Appliances Co., Ltd.	Electrical Appliances
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Fittings Technology
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang Appliances
Chongqing Qingjia Electronics Co., Ltd.	Chongqing Qingjia
Anhui Konka Electronic Co., Ltd.	Anhui Konka
Anhui Konka Household Appliances Co., Ltd.	Anhui Household Appliances

Corporate name	Abbreviation
Kunshan Konka Electronic Co., Ltd.	Kunshan Konka
Dongguan Konka Electronic Co., Ltd.	Dongguan Konka
Dongguan Konka Packing Materials Co., Ltd.	Dongguan Packing
Boluo Konka PCB Co., Ltd.	Boluo Konka
Boluo Konka Precision Technology Co., Ltd.	Boluo Konka Precision
Hong Kong Konka Co., Ltd.	Hong Kong Konka
Konka Household Appliances Investment & Development Co., Ltd.	Konka Household Appliances Investment
Konka Household Appliances International Trading Co., Ltd.	Konka Household Appliances International Trading
Konka (Europe) Co., Ltd.	Konka Europe
Konka Factoring (Shenzhen) Co., Ltd.	Konka Factoring
Shenzhen Wankaida Science and Technology Co., Ltd.	Wankaida
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan Kangsheng
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Anhui Tongchuang
Indonesia Konka Electronics Co., Ltd.	Indonesia Konka
Shenzhen Shushida Logistics Service Co., Ltd.	Shushida Logistics
Beijing Konka Electronic Co., Ltd.	Beijing Konka Electronic
Shenzhen Konka E-display Co., Ltd.	Konka E-display
Shenzhen E-display Service Co., Ltd.	E-display Service
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong
Youshi Kangrong Culture Communication Co., Ltd.	Youshi Kangrong
Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd.	Kangqiao Jiacheng
Konka SmartTech Limited	Konka SmartTech
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Shenzhen Yipingfang Network Technology Co., Ltd.	Yipingfang

Corporate name	Abbreviation
Shenzhen Konka Mobile Interconnection Technology Co., Ltd.	Mobile Interconnection
Shenzhen Konka Commercial System Technology Co., Ltd.	Commercial System Technology
Zhongkang Supply Chain Management Co., Ltd.	Zhongkang Supply Chain
Shenzhen Kangqiao Easy Chain Technology Co., Ltd.	Kangqiao Easy Chain
Yilifang (Hainan) Technology Co., Ltd.	Yilifang
Chuzhou Konka Technology & Industry Development Co., Ltd.	Konka Technology & Industry Development

II. Basis for the preparation of financial statements

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

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

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

The financial statements prepared by the Group are in compliance with in compliance with

the Accounting Standards for Business Enterprises, which factually and completely present the Company's financial positions as at 31 Dec. 2016, business results and cash flows for the year of 2016, and other relevant information. In addition, the Company's and the Group's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

IV. Important accounting policies and estimations

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

1. Fiscal period

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

2. Operating cycle

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

3. Recording currency

Renminbi is the dominant currency used in the economic circumstances where the Group and its domestic subsidiaries are involved. Therefore, the Group and its domestic subsidiaries use Renminbi as their bookkeeping base currency. As for the overseas subsidiaries of the

Company-America Konka, European Konka and Indonesia Konka, should be respectively confirmed the US Dollar, Euro and Indonesia Rupiah as their recording currency according its major economic environment of their operating address; subsidiaries such as Hong Kong Konka, Konka Household Appliances International Trading, Konka Zhisheng and Zhongkang Supply Chain use HK Dollar as their recording currency. And the Group adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the reporting year.

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

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

(1) Business combinations under the same control

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

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

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

(2) Business combinations not under the same control

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

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

As for the deductible temporary differences the acquirer obtains from the acquiree which are not recognized into deferred income tax liabilities due to their not meeting the recognition standards, if new or further information shows that the relevant situation has existed on the acquiring date and the economic benefits brought by the deductible temporary differences the

acquirer obtains from the acquiree on the acquiring date can be realized, they shall be recognized into deferred income tax assets and the relevant goodwill shall be reduced. Where the goodwill is not sufficient to be offset, the difference shall be recognized into the profits and losses in the current period. In other circumstances than the above, where the deductible temporary differences are recognized into deferred income tax assets on the acquiring date, they shall be recorded into the profits and losses in the current period.

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the “package deal” (see note 4, 5 (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, 12 “long term equity investment transaction” and conduct accounting treatment, those not belong to the “package deal” distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

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

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

re-measurement, the others shall be transferred into current investment gains on the acquiring date).

5. Methods for preparing consolidated financial statements

(1) Principle for determining the consolidation scope

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

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

(2) Methods for preparing the consolidated financial statements

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

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are

inconsistent between the Group and subsidiaries. For a subsidiary acquired from a business combination not under the same control, the individual financial statements of the subsidiary are adjusted based on the fair value of the identifiable net assets at the acquisition date.

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

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

Where the Group loses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No. 2 Accounting Standard for Business Enterprises —Long-term Equity Investments or the No. 22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see note IV, 12 "long term equity investment" or 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 losses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions ; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see note IV 12, (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. 12 (2) ② "Long-term equity investments measured at the equity method".

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

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

7. Recognition standard for cash and cash equivalents

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

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

(1) Accounting treatments for translation of foreign currency transactions

As for a foreign currency transaction, the Company shall convert the amount in a foreign currency into amount in its bookkeeping base at the spot exchange rate (usually referring to the central parity rate announced by the People's Bank of China, the same below) of the

transaction date, while as for such transactions as foreign exchange or involving in foreign exchange, the Company shall converted into amount in the bookkeeping base currency at actual exchange rate the transaction is occurred.

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

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

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

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

(3) Translation of foreign currency financial statements

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

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

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

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

Where the control of the Group over an overseas operation ceases due to disposal of all or some of the Group’s owner’s equity in the overseas operation or other reasons, the

foreign-currency statement translation difference belonging to the parent company's owner's equity in relation to the overseas operation which is stated under the shareholders' equity in the balance sheet shall be all restated as gains and losses of the disposal period.

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

9. Financial instruments

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

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

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

essential nature, the cash flow capitalization method and the option pricing model, etc., to determine its fair value.

(2) Classification, recognition and measurement of financial assets

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

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

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

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

The financial assets meeting any of the following requirements shall be designated as financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period for initial recognition: A. the designation can

eliminate or significantly reduce the difference of relevant gains and losses between recognition and measurement causing from different bases for measurement of financial assets; B. The official written documents for risk management and investment strategies of the enterprise have clearly stated that it shall manage, evaluate and report to important management personnel based on the fair value, about the financial assets group or the group of financial assets & liabilities which the financial assets are belong to.

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

② Held-to-maturity investment

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

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

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

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

by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

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

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

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

④ Assets available for sales

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

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

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument

investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

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

(3) Impairment of financial assets

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

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

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

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

② Impairment of available-for-sale financial assets

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

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

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

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

(4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said

financial asset has been transferred. And the Group has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

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

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

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

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

the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

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

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

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

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

② Other financial liabilities

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

amortization of the said financial liabilities is recorded in the profits and losses for the current period.

③ Financial guarantee contract and loan commitment

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

(6) De-recognition of financial liabilities

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

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

(7) Derivatives and embedded derivatives

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

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through 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
Group 1: Aging group	Divide the groups according to the credit risks characteristics of the accounts receivable
Group 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.

Item	Withdrawal method
Group 1: Aging group	Aging analysis method
Group 2: Internal related party groups of the Company	To make an independent impairment test and if there was no impairment, should not withdraw the bad debts provision.

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

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

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
3-4 years	50	50
4-5 years	50	50
Over 5 years	100	100

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

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

- A. Receivables have dispute with the other parties or involving lawsuit and arbitration;
- B. Receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.
- C. There is other objective evidence of impairment and the impairment amount can estimated reliably.

(3) Reversal of provision for bad debts

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

11. Inventory

(1) Classification

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

hand, goods delivered and circulating materials, etc; while the property inventories include property in process and finished property, etc.

- ① The finished property refers to the finished and held-for-sale property.
- ② The property in process (development costs) refers to the unfinished property with the development purpose for sale.

(2) Pricing method for outgoing inventories

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

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

- ① The public supporting facilities recorded the development costs at the actual costs, the amortization upon completion was transferred to the costs of houses and other available-for-sale property, while as for the supporting facilities with operating value and beneficiary rights owned by the Group as well as available for individual sale and measurement, which shall be recorded into the “investment property”
- ② For the accounting policies on borrowing costs occurred for developing property, please refer to Note IV. 17 Pricing of “Borrowing Costs”.

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

The net realizable value refers, in the ordinary course of business, to the account after

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

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

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

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

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

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

12. Long-term equity investments

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

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Group and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Group which could anticipate in the finance and the

operation 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 Reporting Period should be handled the same as other long-term employees' payrolls.

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

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

21. Estimated liabilities

The company should recognize the related obligation as a provision for liability when the

obligation meets the following conditions: (1) That obligation is a present obligation of the enterprise; (2) It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation; (3) A reliable estimate can be made of the amount of the obligation.

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

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

22. Revenue

(1) Revenue from selling goods

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

The recognition of revenue from commodities for the home market when shipping the goods: for goods exported, the revenue shall be recognized once the goods are cleared through customs and delivered to the carrier designated by the purchaser.

(2) Providing labor services

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

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

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

Where a contract or agreement signed between Group and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services 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) Held-to-maturity investments

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

(6) Impairment of held-to-maturity investment

The decision about confirming the impairment of the investment held-to-maturity by the Company depends on the judgment of the management layer to a great extent. The objective evidences of the occurrence of the impairment include there is serious financial difficulties of the issuer which lead the financial assets could not be continued to deal in the active market and could not execute the clauses of the contracts (for example, to pay for the interests or the principal occurs default) and so on. When executing the judgment, the Company should assess the influences of the objective evidences of the occurrence of the impairment on the estimated future cash flow of the investment.

(7) The impairment of financial assets available for sale

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

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

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

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

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

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

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

(9) Depreciation and amortization

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

(10) Expenditures for development

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

(11) Deferred income tax assets

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

(12) Income tax

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

(13) Internal early retirement welfare and supplementary retirement welfare

Amounts of expenditures and liabilities of internal early retirement welfare and supplementary retirement welfare should be determined according to assumption terms. Assumption terms include discount rate, average growth rate of medical costs, growth rate of subsidies for early retirement employees and retirees and other factors. The differences of actual results and assumption should be confirmed immediately and included into costs of

current year. Although the management have adopted reasonable assumption terms, changes of actual experience value and assumption terms may affect the internal early retirement welfare, supplementary retirement benefits and balance of liabilities.

(14) Estimated liabilities

The Group made the estimation on product quality guarantee, predicted loss of contract and the fine for delayed delivery etc. and withdrew the relevant provision for estimated liabilities in accordance the provisions of contract, current knowledge and experience. Under the condition that the contingent event has formed a current duty and fulfilling the duty is likely to cause the economical interest outflow the Group, the Group measures the estimated liabilities in accordance with the best estimate of the necessary expenses for the performance of the current duty. The recognition and measurement of estimated liabilities were heavily relied on the judgment of the management team. During the process of making judgment, the Group needed to appraise the relevant risks, uncertainty and the time value of money and etc. Of which, the Group estimated the liabilities basing on the after-sale services commitments to the customers upon the sale, repair and reform of goods. When estimating the liabilities, the Group has fully taken the consideration of the latest repair experience, but which may not reflect the repair situation in the future. Any increase / decrease of the provision for estimated liabilities may affect the profits and losses in the future periods.

V. Taxation

1. Main taxes and tax rate

Category of taxes	Specific situation of the taxes rate
VAT	Calculated the output tax at 3%, 5%, 6%, 11%, 13%, 17% and paid the VAT by the amount after deducting the deductible withholding VAT at current period, of which the VAT applicable to easy collection won't belong to the deductible withholding VAT.
Business tax	Paid by 5% of taxable business income in Jan. to Apr.; and VAT replaced the business tax from May.
Urban maintenance and construction tax	Paid at 7% of the circulating tax actually paid, of which Dongguan Packing, Dongguan Konka, Boluo Konka, Boluo Konka Precision, and Kunshan Kangsheng of 5%.
Enterprise income tax	Paid at 25% of the taxable income, of which Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading, Konka Zhisheng, and Zhongkang Supply Chain of 16.5%; Telecommunication Technology, Kunshan Konka, Dongguan Konka, Anhui Konka, Konka E-display, and Wankaidda of 15%; and Europe Konka of 31%.
Education surtax	Paid at 3% of the circulating tax actually paid.

Category of taxes	Specific situation of the taxes rate
Local education surtax	Paid at 2% of the circulating tax actually paid.

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

(2) In accordance with the Notice on Printing the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by the Ministry of Finance, Ministry of Environmental Protection, National Development and Reform Commission, Ministry of Industry and Information, General Administration of Customs and National Taxation Bureau (CZ [2012] No. 34), and the Administration Method on Charging and Use of the Treatment Funds of Discarded Electronic Appliance and Electric Products issued by National Taxation Bureau (GJSWZJGG [2012] No. 41), the domestic manufacturer of the electrical appliances and electronic products of PRC started to pay the treatment funds for discarded electrical appliance and electronic products according the sales volume (trusted processing amount) and relevant charging standards from 1 Jul. 2012. According to the regulations, the Group's charging standards were RMB13 per set of TV, RMB12 per set of refrigerator and RMB7 per set of washing machine.

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

2. Tax preference and approved document

(1) 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 Provincial Office, SAT, and Jiangsu Local Taxation Bureau with the certification number of GF201432000413 and the validity of three years. According to the relevant taxation regulations, the Kunshan Konka could enjoy the relevant preferential tax policy on the high-tech enterprise for continuous 3 years from 2014 to 2016, and pay for the corporate income tax according to 15% of the preferential tax rate.

(2) On 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.

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

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

(5) On 21 Oct. 2016, the subsidiary of the Company, Anhui Konka acquired the certificate of

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

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

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

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

Unless otherwise noted, the following annotation project (including the main projects annotation of the financial statement of the Company), the year-begin refers to 1 Jan. 2015, the year-end refers to 31 Dec. 2016

1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	2,354.63	4,217.37
Bank deposits	2,020,900,590.51	1,488,150,633.98
Other monetary funds	596,703,311.28	218,292,077.57

Total	2, 617, 606, 256. 42	1, 706, 446, 928. 92
Of which: total amount deposited in overseas	643, 590, 382. 98	205, 900, 491. 11

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

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

Item	Closing balance	Opening balance
Income from agreement of forward foreign exchange purchase	39, 894, 844. 12	33, 196, 377. 28
Transactional financial assets	212, 190, 150. 00	—
Total	252, 084, 994. 12	33, 196, 377. 28

3. Notes receivable

(1) Notes receivable listed by Item

Item	Closing balance	Opening balance
Bank acceptance bill	2, 866, 434, 355. 03	2, 879, 244, 863. 46
Trade acceptance	5, 199, 143. 79	1, 615, 886. 98
Total	2, 871, 633, 498. 82	2, 880, 860, 750. 44

(2) Notes receivable pledged at the period-end

Item	Amount
Bank acceptance bill	1,480,722,697.16
Total	1,480,722,697.16

Notes: Up to 31 Dec. 2016, the Company pledged the banker's acceptance bill of the book value of RMB1, 480,722,697.16 for the comprehensive financing business such as handling the billing, letter of credit and the trading financing.

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

Item	Amount of recognition termination at the period-end	Amount of recognition termination at the period-end
Bank acceptance bill	1, 483, 505, 103. 95	—

Commercial acceptance bill	20,503,552.63	—
Total	1,504,008,656.58	—

4. Accounts receivable

(1) Accounts receivable classified by Item

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

(Continued)

Item	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	21,847,005.37	0.92	21,847,005.37	100.00	—
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	2,284,090,249.64	95.88	244,107,868.37	10.69	2,039,982,381.27
Subtotal of groups	2,284,090,249.64	95.88	244,107,868.37	10.69	2,039,982,381.27
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	76,251,927.24	3.20	67,420,869.17	88.42	8,831,058.07
Total	2,382,189,182.25	100.00	333,375,742.91	13.99	2,048,813,439.34

① Accounts receivable with significant single amount for which bad debt provision separately accrued at the year-end

Accounts receivable (classified by units)	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
DSC HOLDINGS LIMITED	24,684,155.33	24,684,155.33	100.00	Difficult to recover, due to the bankruptcy of that company

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

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Within 1 year	2,245,731,435.25	44,914,628.70	2.00

1 to 2 years	62,233,823.40	3,111,691.17	5.00
2 to 3 years	15,752,693.25	3,150,538.65	20.00
3 to 4 years	2,027,521.41	1,013,760.71	50.00
4 to 5 years	947,289.10	473,644.55	50.00
Over 5 years	189,649,078.41	189,649,078.41	100.00
Total	2,516,341,840.82	242,313,342.19	

③ Top five of account receivable with insignificant single amount for which bad debt provision separately accrued

Accounts receivable (classified by units)	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
H-BUSTER DO BRASIL INDUSTRIA	19,076,318.63	19,076,318.63	100.00%	Had difficulty in operation
Henan Broadcast & Television Network Co., Ltd.	18,320,000.00	5,496,000.00	30.00%	Objective evidence shows that the amount decreases by 30%
DAEWOO DISPLAY CORPORATION	12,996,777.15	12,996,777.15	100.00%	Involved with lawsuit dispute
Shenzhen Tengda Electric Appliance Co., Ltd.	8,223,935.99	4,111,968.00	50.00%	Involved with lawsuit dispute
MOTOM ELECTRONICS GROUP SPA	5,933,761.14	5,933,761.14	100.00%	Involved with lawsuit dispute
Total	64,550,792.91	47,614,824.92	73.76%	

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 29,795,580.26; the amount of the reversed or collected part during the Reporting Period was of RMB 4,088,532.96, other decrease was RMB 11,769,113.00.

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

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 1,075,949,715.05, 40.52% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB 22,050,369.49.

5. Prepayment

(1) List by aging analysis:

Aging	Closing amount			Opening amount		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	269,405,925.30	96.52	1,461,427.25	192,024,479.90	94.60	527,017.04
1 to 2 years	3,335,844.57	1.20	36,710.13	1,037,032.15	0.51	406,683.12
2 to 3 years	2,265,192.49	0.81	415,058.47	3,154,864.60	1.55	1,716,100.63
Over 3 years	4,099,193.21	1.47	2,382,301.00	6,774,559.86	3.34	6,676,515.06
Total	279,106,155.57	100.00	4,295,496.85	202,990,936.51	100.00	9,326,315.85

Notes: prepayments of significant amount and aged more than 1 year, of which the amount of RMB 8,146,945.00 was the relevant materials which had quality problems and had not handle the accounts settlement as well as the material warehousing formalities, and the materials purchase account prepaid should be presented as the prepayments.

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

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 120,555,664.2, 43.19% of total closing balance of account receivable.

(3) The accrual bad debt reserve is RMB 545,562.61 this year; the withdrawing or reversing bad debt reserve is RMB 42,410.44 this year; and the bad debt reserve of RMB 5,533,971.17 is decreased after the reclassification in the period.

6. Interest receivable

(1) Item of interest receivable

Item	Closing balance	Opening balance
Fixed term deposit interest	1,342,063.84	7,325,298.41
Entrusted loan interest	—	101,111.11
Total	1,342,063.84	7,426,409.52

7. Dividends receivable

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

Item	Closing balance	Opening balance
Total	10,171,609.48	—

8. Other accounts receivable

(1) Other account receivable classified by Item

Item	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	183,915,489.33	43.21	174,186,734.34	94.71	9,728,754.99
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	234,570,113.10	55.12	26,878,827.62	11.46	207,691,285.48
Subtotal of groups	234,570,113.10	55.12	26,878,827.62	11.46	207,691,285.48
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	7,101,401.90	1.67	2,131,520.57	30.02	4,969,881.33
Total	425,587,004.33	100.00	203,197,082.53	47.75	222,389,921.80

(Continued)

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

Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	183,881,677.62	51.78	171,132,382.98	93.07	12,749,294.64
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	170,855,404.47	48.11	23,438,919.29	13.72	147,416,485.18
Subtotal of groups	170,855,404.47	48.11	23,438,919.29	13.72	147,416,485.18
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	402,820.00	0.11	402,820.00	100.00	—
Total	355,139,902.09	100.00	194,974,122.27	54.90	160,165,779.82

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

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

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	188,214,732.47	3,764,294.65	2.00

1 to 2 years	11, 199, 066. 41	559, 953. 32	5. 00
2 to 3 years	9, 688, 182. 60	1, 937, 636. 52	20. 00
3 to 4 years	5, 130, 382. 24	2, 565, 191. 12	50. 00
4 to 5 years	4, 571, 994. 74	2, 285, 997. 37	50. 00
Over 5 years	15, 765, 754. 64	15, 765, 754. 64	100. 00
Total	234, 570, 113. 10	26, 878, 827. 62	

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 5,412,706.45; the amount of the reversed or collected part during the Reporting Period was of RMB 1,827,353.33; bad-debt provisions were decreased by RMB766,876.87 due to cease of control; bad-debt provisions were decreased by RMB-5,362,432.20 due to reclassification from accounts paid in advance to this item; bad-debt provisions were decreased by RMB-42,051.81 due to other reasons. And there was no writing off.

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

Name of the entity	Nature	Closing balance	Aging	Proportion of the total Closing balance of the accounts receivable (%)	Bad debt provision Closing balance
Energy-saving subsidies	Energy-saving subsidies	152, 402, 680. 00	1-2 years, 3-4 years	35. 81	152, 402, 680. 00
Chuzhou Customs of the People's Republic of China	Cash deposit	23, 690, 000. 00	Within 1 year	5. 57	473, 800. 00
Youshi Xinrong Communication Co., Ltd.	Loan	22, 260, 000. 00	Within 1 year	5. 23	445, 200. 00
Shenzhen Konka Video & Communication	Transfer fund	18, 115, 952. 51	2-3 year	4. 26	8, 387, 197. 52

Systems Engineering Co., Ltd.					
Chongqing Konka Automotive Electronics Co., Ltd.	Current account	13, 396, 856. 82	Over 1-5 year(s)	3. 15	13, 396, 856. 82
Total	—	229, 865, 489. 33		54. 02	175, 105, 734. 34

9. Inventory

(1) Item of inventory

Item	Closing amount			
	Book balance	Of which: the capitalized amount of the borrowings	Impairment of inventories	Book value
Development projects of the property:				
Development cost	1, 394, 176, 034. 85	—	—	1, 394, 176, 034. 85
Development products	7, 596, 482. 12	141, 378. 83	—	7, 596, 482. 12
Subtotal	1, 401, 772, 516. 97	141, 378. 83	—	1, 401, 772, 516. 97
Non-development projects of the property:				
Raw materials	781, 934, 686. 08	—	31, 054, 247. 46	750, 880, 438. 62
Raw materials	83, 957, 767. 23	—	8, 872, 936. 27	75, 084, 830. 96
Inventory goods	2, 306, 460, 682. 29	—	247, 224, 025. 03	2, 059, 236, 657. 26
Turnover materials	439, 500. 54	—	—	439, 500. 54
Subtotal	3, 172, 792, 636. 14	—	287, 151, 208. 76	2, 885, 641, 427. 38
Total	4, 574, 565, 153. 11	141, 378. 83	287, 151, 208. 76	4, 287, 413, 944. 35

(Continued)

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

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

(2) List of the development cost

Name of item	Starting time	Expected completion time of the next batch	Opening amount	Closing amount
Shuiyue Zhouzhuang Project (Phase III)	Dec. 2015	Y 2017	268,056,798.18	449,653,196.40
Kangqiao Jiacheng	Oct. 2015	Y 2020	2,079,207.00	944,522,838.45
Total			270,136,005.18	1,394,176,034.85

(3) List of the developed products

Name of item	Completion time	Opening amount	Increased	Decreased	Closing amount
Shuiyue Zhouzhuang Project(Phase I)	Y 2014	79,683,074.34	—	75,729,827.16	3,953,247.18
Shuiyue Zhouzhuang Project(Phase II)	Y 2015	115,095,331.71	4,182,012.12	115,634,108.89	3,643,234.94
Total		194,778,406.05	4,182,012.12	191,363,936.05	7,596,482.12

(4) Impairment of inventories

Item	Opening balance	Increased amount		Decreased amount			Closing balance
		Withdrawal	Other	Reverse	Write-off	Other reduction	
Raw materials	53,034,708.44	11,903,512.67	—	—	26,433,154.42	7,450,819.23	31,054,247.46
Raw materials	54,853,159.84	2,719,890.17	—	—	48,700,113.74	—	8,872,936.27
Inventory goods	199,769,581.12	139,147,417.78	—	—	88,533,592.78	3,159,381.09	247,224,025.03
Total	307,657,449.40	153,770,820.62	—	—	163,666,860.94	10,610,200.32	287,151,208.76

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

Item	Specific basis of withdrawal of falling price reserves of inventory	Reasons for write-off
Raw materials	The realizable net value was lower than the inventory cost	Disposed in the current period
Raw materials	The realizable net value was lower than the inventory cost	Disposed in the current period
Inventory goods	The realizable net value was lower than the inventory cost	Disposed in the current period

(6) Closing balance of the inventory which includes capitalized borrowing expenses was RMB141,378.83.

10. Other current assets

Item	Closing balance	Opening balance
Financial products	299,745,437.03	500,000,000.00
Entrust loans	—	50,000,000.00
Unreached bank deposits	—	8,203,251.00
Prepayments and deductible taxes	262,458,679.17	89,108,687.45

Total	562,204,116.20	647,311,938.45
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11. Available-for-sale financial assets

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

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	319,965,425.00	4,997,785.64	314,967,639.36	316,972,068.30	4,997,785.64	311,974,282.66
Of which: measured at fair value	55,777,425.00	—	55,777,425.00	2,874,068.30	—	2,874,068.30
Measured by cost	264,188,000.00	4,997,785.64	259,190,214.36	314,098,000.00	4,997,785.64	309,100,214.36
Total	319,965,425.00	4,997,785.64	314,967,639.36	316,972,068.30	4,997,785.64	311,974,282.66

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

Item	Available-for-sale equity instruments
Cost of the equity instruments	47,230,000.00
Fair value	55,777,425.00
Changed amount of the fair value accumulatively included in other comprehensive income	8,547,425.00
Withdrawn impairment amount	—

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

Investee	Book balance			
	Year-begin	Increased	Decreased	Year-end
Shenzhen Qianhai Qingsong Venture Capital	20,000,000.00	—	—	20,000,000.00

Fund Enterprise				
Shenzhen Tianyilian Science & Technology Co., Ltd.	4,800,000.00	—	—	4,800,000.00
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	9,500,000.00	—	—	9,500,000.00
Shenzhen A Dot TV Co., Ltd.	5,750,000.00	—	—	5,750,000.00
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00
ZAEFI	100,000.00	—	—	100,000.00
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00	—	—	485,000.00
Shanlian Information Technology Engineering Center	5,000,000.00	—	—	5,000,000.00
Shenzhen CIU Science & Technology Co., Ltd.	1,153,000.00	—	—	1,153,000.00
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	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	—
	—	4,700,000.00	—	4,700,000.00
Chongqing Konka Eurotomotive Electronic Co., Ltd. (See note VII.2. (6))	—	—	—	—

Total	314,098,000.00	4,700,000.00	54,610,000.00	264,188,000.00
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(Continued)

Investee	Depreciation reserves				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Year-begin	Increased	Decreased	Year-end		
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	—	—	—	—	6.00	—
Shenzhen Tianyilian Science & Technology Co., Ltd.	—	—	—	—	6.10	—
Shenzhen Yifan Interactive Science & Technology Co., Ltd.	—	—	—	—	13.57	—
Shenzhen A Dot TV Co., Ltd.	—	—	—	—	12.67	—
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00	9.60	—
ZAEFI	100,000.00	—	—	100,000.00	—	—
Shenzhen Chuangce Investment Development Co., Ltd.	485,000.00	—	—	485,000.00	1.00	—
Shanlian Information Technology Engineering Center	1,639,190.80	—	—	1,639,190.80	9.62	—
Shenzhen CIU Science & Technology Co., Ltd.	200,000.00	—	—	200,000.00	11.50	—
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	1,273,594.84	—	—	1,273,594.84	2.40	—
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	—	—	—	—	4.26	—

ChinaAMC - Jiayi Overseas Orientation Programs	—	—	—	—	—	—
Hunan Vary Science & Technology Co., Ltd.	—	—	—	—	9.56	—
Nobel Education Investment Development Co., Ltd.	—	—	—	—	—	—
Beijing Kanga Technology Co., Ltd	—	—	—	—	3.62	—
Chongqing Konka Eurotomotive Electronic Co., Ltd. (See note VII.2. (6))	—	—	—	—	—	—
Total	4,997,785.64	—	—	4,997,785.64	—	—

Notes: ① The measurement method for Hunan Vary Tech Co., Ltd. is changed from the cost method to the fair value method.

② On March 27, 2015, the Chongqing Jiangbei court accepted the bankruptcy and liquidation application of subsidiary Chongqing Electronics and appointed a liquidation task group for that. As such, the Company no longer has the right to lead the relevant activities of Chongqing Electronics. As Chongqing Electronics entered the bankruptcy procedure, it was excluded from the consolidation scope and reclassified to financial assets available for sale at the net value of zero.

(4) Changes in available-for-sale financial asset impairment in the Current Year

Classification of available-for-sale financial assets	available-for-sale equity instruments
Opening balance of impairment provisions	4,997,785.64
Provided for for the Current Year	—
Including: From other comprehensive income	—
Decreased in the Current Year	—
Including: Reversal due to post-period fair value increase	—

Classification of available-for-sale financial assets	available-for-sale equity instruments
Closing balance of impairment provisions	4,997,785.64

12. Long-term equity investment

Investee	Opening balance	Opening balance of impairment provision	Increase/decrease in Current Year					
			Additional investment	Cost method changed to equity method	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
1. Subsidiary of joint venture								
Shenzhen Refond Optoelectronics Co., Ltd.	44,317,016.67	—	—	—	4,840,648.16	2,631,682.81	—	18,768,861.01
Enraytek Optoelectronics Co., Ltd.	94,673,758.00	30,257,135.84	—	—	—	-21,992,043.38	—	15,616,875.70
Shenzhen Konka Energy Technology Co., Ltd.	3,649,728.08	3,649,728.08	—	—	—	—	—	—
Shanghai Konka Green Science & Technology Co., Ltd.	68,250,273.03	—	—	—	—	14,924,158.23	-54,595.90	2,671,625.35
Shenzhen Dekang Electronics Co., Ltd.	7,137,424.83	—	—	—	7,137,424.83	—	—	—
Zhuhai Jinsu Plastic Co., Ltd.	6,452,187.60	—	—	—	—	986,459.90	—	—
Shenzhen Konka Precision Mold	—	—	—	76,014,057.31	—	9,390,973.96	—	—

Manufacturing Co., Ltd								
Dongguan Konka Mold Plastic Co., Ltd	—	—		24,987,912.64	—	2,178,574.89	—	—
Shenzhen Zhongbin Konka technology co., Ltd.	—	—	20,000,000.00	—	—	-835,308.22	—	—
Shenzhen Konka Intelligent Electric Co., Ltd	—	—	6,000,000.00	—	—	213,908.63	—	—
Shenzhen Konka Information Network Co., Ltd	—	—	—	12,660,222.73	—	7,766,215.74	—	—
Total	224,480,388.21	33,906,863.92	26,000,000.00	113,662,192.68	11,978,072.99	15,264,622.56	-54,595.90	37,057,362.06

(Continued)

Investee	Increase/decrease in Reporting Period			Closing balance	Closing balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
Associated enterprise:					
Shenzhen Refund Optoelectronics Co., Ltd.	257, 796. 60	—	60, 619, 115. 73	—	—
Enraytek Optoelectronics Co., Ltd.	—	—	—	88, 298, 590. 32	30, 257, 135. 84
Shenzhen Konka Energy Technology Co., Ltd.	—	—	—	3, 649, 728. 08	3, 649, 728. 08
Shanghai Konka Green Science & Technology Co., Ltd.	—	—	—	85, 791, 460. 71	—
Shenzhen Dekang Electronics Co., Ltd.	—	—	—	—	—
Zhuhai Jinsu Plastic Co., Ltd.	—	—	—	7, 438, 647. 50	—

Shenzhen Konka Precision Mold Manufacturing Co., Ltd	—	—	—	85,405,031.28	—
Dongguan Konka Mold Plastic Co., Ltd	—	—	—	27,166,487.52	—
Shenzhen Zhongbing Konka technology co., Ltd.	—	—	—	19,164,691.78	—
Shenzhen Konka Intelligent Electric Co., Ltd	—	—	—	6,213,908.63	—
Shenzhen Konka Information Network Co., Ltd	—	—	—	20,426,438.47	—
Total	257,796.60	—	60,619,115.73	343,554,984.29	33,906,863.92

Note: We have established Zhonggao Konka Intelligent Technology (Beijing) Co., Ltd. jointly with Beijing Cybernaut Green Technology Investment Management Co., Ltd. and Beijing Zhonggao International Human Resources Co., Ltd. on 7 Nov. 2016, with the registered capital of RMB 15 million. RMB 4.5 million is paid by us, accounting for 30% of the registered capital and exerting great influence. We have not paid and the company has not operated by 31 Dec. 2016. Our subsidiary and Guoguang Orient Network (Beijing) Co., Ltd. jointly incorporated Guoguang Ruilian (Shenzhen) Network Technology Co., Ltd. with a registered capital of RMB10 million, of which we contributed RMB4 million, 40% of its registered capital, representing a significant influence on it. As of December 31, 2016, the Company had not yet made the actual payment.

13. Investment property

Investment property adopted the cost measurement mode

Item	Houses and buildings	Total
I. Original book value		
1. Opening balance	249,923,047.75	249,923,047.75
2. Increased amount of the period	—	—
3. Decreased amount of the period	—	—
4. Closing balance	249,923,047.75	249,923,047.75
II. Accumulative depreciation and accumulative amortization	—	—
1. Opening balance	22,204,869.22	22,204,869.22
2. Increased amount of the period	5,631,274.27	5,631,274.27
(1) Withdrawal or amortization	5,631,274.27	5,631,274.27
3. Decreased amount of the period	—	—
4. Closing balance	27,836,143.49	27,836,143.49
III. Depreciation reserves	—	—
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	222,086,904.26	222,086,904.26
2. Opening book value	227,718,178.53	227,718,178.53

14. Fixed assets

(1) List of fixed assets

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
I. Original book value						
1. Opening balance	1, 610, 405, 611. 03	995, 990, 722. 42	225, 934, 784. 83	64, 713, 750. 93	209, 487, 021. 91	3, 106, 531, 891. 12
2. Increased amount of the period	18, 778, 974. 18	13, 898, 021. 55	15, 341, 323. 75	2, 559, 838. 48	5, 295, 369. 19	55, 873, 527. 15
(1) Purchase	9, 386, 689. 90	12, 370, 485. 11	15, 341, 323. 75	2, 283, 456. 93	1, 496, 290. 48	40, 878, 246. 17
(2) Transfer of project under construction	9, 392, 284. 28	1, 527, 536. 44	—	276, 381. 55	3, 799, 078. 71	14, 995, 280. 98
3. Decreased amount of the period	43, 401, 899. 72	251, 225, 517. 37	28, 763, 469. 30	13, 604, 956. 39	44, 800, 350. 71	381, 796, 193. 49
(1) Disposal or Scrap	9, 508, 848. 53	81, 871, 859. 83	23, 302, 128. 65	7, 191, 138. 69	14, 151, 792. 70	136, 025, 768. 40
(2) Other	33, 893, 051. 19	169, 353, 657. 54	5, 461, 340. 65	6, 413, 817. 70	30, 648, 558. 01	245, 770, 425. 09
4. Closing balance	1, 585, 782, 685. 49	758, 663, 226. 60	212, 512, 639. 28	53, 668, 633. 02	169, 982, 040. 39	2, 780, 609, 224. 78
II. Accumulative depreciation						
1. Opening balance	365, 828, 714. 85	582, 924, 576. 99	173, 954, 788. 56	45, 962, 359. 91	136, 450, 040. 99	1, 305, 120, 481. 30
2. Increased amount of the period	31, 191, 113. 90	50, 103, 043. 65	12, 984, 685. 17	3, 822, 257. 05	19, 823, 899. 38	117, 924, 999. 15

(1) Withdrawal	31,191,113.90	50,103,043.65	12,984,685.17	3,822,257.05	19,823,899.38	117,924,999.15
3.Decreased amount of the period	4,169,351.25	170,667,218.03	23,564,664.36	10,469,519.85	32,757,106.31	241,627,859.80
(1) Disposal or Scrap	3,986,818.16	68,750,847.13	19,773,075.67	6,027,596.66	11,947,211.40	110,485,549.02
(2) Other	182,533.09	101,916,370.90	3,791,588.69	4,441,923.19	20,809,894.91	131,142,310.78
4.Closing balance	392,850,477.50	462,360,402.61	163,374,809.37	39,315,097.11	123,516,834.06	1,181,417,620.65
III. Depreciation reserves						
1.Opening balance	2,006,749.30	26,068,129.89	5,313,847.45	963,345.92	3,556,147.76	37,908,220.32
2. Increased amount of the period	—	2,489,437.37	610,558.02	26,444.19	84,034.59	3,210,474.17
(1) Withdrawal	—	2,489,437.37	610,558.02	26,444.19	84,034.59	3,210,474.17
3.Decreased amount of the period	—	11,780,288.67	2,163,842.81	39,272.25	1,922,600.66	15,906,004.39
(1) Disposal or Scrap	—	9,204,909.97	2,135,110.32	6,912.25	1,248,789.70	12,595,722.24
(2) Other	—	2,575,378.70	28,732.49	32,360.00	673,810.96	3,310,282.15
4.Closing balance	2,006,749.30	16,777,278.59	3,760,562.66	950,517.86	1,717,581.69	25,212,690.10
IV. Book value						
1. Closing book value	1,190,925,458.69	279,525,545.40	45,377,267.25	13,403,018.05	44,747,624.64	1,573,978,914.03

2. Opening book value	1, 242, 570, 146. 88	386, 998, 015. 54	46, 666, 148. 82	17, 788, 045. 10	69, 480, 833. 16	1, 763, 503, 189. 50
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Notes: Other payments are decreased due to losing the control rights to subsidiary.

(2) List of temporarily idle fixed assets

Item	Original book value	Accumulative depreciation	Depreciation reserves	Book value	Notes
Houses and buildings	39,474,322.58	20,230,130.99	542,558.97	18,701,632.62	
Machinery equipment	25,177,264.30	11,676,602.76	8,395,124.64	5,105,536.90	
Electronic equipment	1,732,582.00	1,595,054.30	100,422.20	37,105.50	
Transportation equipment	21,912,503.44	20,568,427.14	1,021,928.09	322,148.21	
Other equipment	2,247,474.45	1,668,158.58	263,805.28	315,510.59	
Total	90,544,146.77	55,738,373.77	10,323,839.18	24,481,933.82	

(3) Fixed assets leased in from financing lease

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Machinery equipment	5,321,552.85	1,693,854.34	—	3,627,698.51
Electronic equipment	205,128.20	75,213.67	—	129,914.53
Total	5,526,681.05	1,769,068.01	—	3,757,613.04

(4) Fixed assets leased out from operation lease

Item	Closing book value
Houses and buildings	13,777,757.13
Total	13,777,757.13

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

Item	Book value	Reason
Yikang building	46,600,903.42	Under processing
Kangsheng Aquatic Club	19,854,440.55	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
Jingyuan office building	12,274,810.80	Under processing

Office building of Kunming	5,310,014.45	Under processing
Guiyang Huaguoyuan property	3,581,003.24	Under processing

15. Construction in progress

(1) List of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Kunshan hotel	286,093,111.12	—	286,093,111.12	138,816,397.92	—	138,816,397.92
Kunshan gallery	1,643,881.07	—	1,643,881.07	1,643,881.07	—	1,643,881.07
Kunshan Jielunte new factory	—	—	—	4,801,714.50	—	4,801,714.50
Wuhan Jielunte factory construction	—	—	—	31,032,889.26	—	31,032,889.26
Canteen project of the Tongchuang Industrial Park	—	—	—	4,035,058.76	—	4,035,058.76
Chuzhou Jielute factory phase I construction	—	—	—	9,613,833.54	—	9,613,833.54
Other small projects	27,799,444.86	—	27,799,444.86	17,910,405.83	—	17,910,405.83
Total	315,536,437.05	—	315,536,437.05	207,854,180.88	—	207,854,180.88

(2) Changes of significant construction in progress

Name of item	Estimated number	Opening balance	Increased amount	Amount that transferred to fixed assets of the period	Amount that transferred to intangible assets of the period	Other decreased amount of the period	Closing balance
Kunshan hotel	444,600,000.00	138,816,397.92	154,188,000.82	6,911,287.62	—		286,093,111.12
Kunshan gallery	26,320,000.00	1,643,881.07	—	—	—		1,643,881.07
Kunshan Jielunte new factory	37,992,500.00	4,801,714.50	—	—		4,801,714.50	
Wuhan Jielunte factory construction	40,000,000.00	31,032,889.26	—	—		31,032,889.26	
Canteen project of the Tongchuang Industrial Park	4,186,655.78	4,035,058.76	1,469,096.52	5,504,155.28		—	
Chuzhou Jielute factory phase I construction	—	9,613,833.54	—	—		9,613,833.54	—

Other small projects	—	17,910,405.83	28,656,651.78	15,561,090.42		3,206,522.33	27,799,444.86
Total	553,099,155.78	207,854,180.88	184,313,749.12	27,976,533.32		48,654,959.63	315,536,437.05

Notes: Other payments are decreased due to losing the control rights to subsidiary.

(Continued)

Project name	Proportion estimated of the project accumulative input	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
Kunshan gallery	6.25	6.25	—	—	—	Self-owned fund
Kunshan hotel	65.90	65.90	832,313.28	22,148.12	5.60	Loans to financial institutions and self-owned fund

16. Intangible assets

(1) List of intangible assets

Item	Land use right	Patent right	Trademark registration expense	Other	Total
I. Original book value					
1. Opening balance	366,197,934.11	40,171,004.84	3,519,159.61	47,885,989.61	457,774,088.17
2. Increased amount of the period	—	63,106.80	—	8,932,561.80	8,995,668.60
(1) Purchase	—	63,106.80	—	2,862,597.08	2,925,703.88
(2) Transfer of project under construction	—	—	—	6,069,964.72	6,069,964.72
3. Decreased amount of the period	49,200,800.00	—	—	612,677.65	49,813,477.65
(1) Disposal	—	—	—	464,814.40	464,814.40
(2) Other decreases	49,200,800.00	—	—	147,863.25	49,348,663.25
4. Closing balance	316,997,134.11	40,234,111.64	3,519,159.61	56,205,873.76	416,956,279.12
II. Accumulated amortization					
1. Opening balance	48,719,074.90	32,955,386.83	3,400,022.14	17,206,634.21	102,281,118.08
2. Increased amount of the period	7,354,815.53	790,077.91	12,192.96	4,569,175.28	12,726,261.68
(1) Withdrawal	7,354,815.53	790,077.91	12,192.96	4,569,175.28	12,726,261.68
3. Decreased amount of the period	2,702,518.67	—	—	295,292.02	2,997,810.69
(1) Disposal	—	—	—	233,682.33	233,682.33
(2) Other decreases	2,702,518.67	—	—	61,609.69	2,764,128.36
4. Closing balance	53,371,371.76	33,745,464.74	3,412,215.10	21,480,517.47	112,009,569.07
III. Depreciation reserves					-
1. Opening balance	—	2,901,082.61	—	—	2,901,082.61

Item	Land use right	Patent right	Trademark registration expense	Other	Total
2. Increased amount of the period	—	—	—	—	—
(1) Withdrawal	—	—	—	—	—
3. Decreased amount of the period	—	—	—	—	—
(1) Disposal	—	—	—	—	—
(2) Other decreases	—	—	—	—	—
4. Closing balance	—	2,901,082.61	—	—	2,901,082.61
IV. Book value					-
1. Closing book value	263,625,762.35	3,587,564.29	106,944.51	34,725,356.29	302,045,627.44
2. Opening book value	317,478,859.21	4,314,535.40	119,137.47	30,679,355.40	352,591,887.48

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

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

17. Goodwill

(1) Original book value of goodwill

Name of the investees or the events formed goodwill	Opening balance	Increased		Decreased		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 31 Dec. 2016, there was no book value of goodwill higher than recoverable amount.

18. Long-term unamortized expenses

Item	Opening balance	Increased amount	Amortization amount	Decrease	Closing amount
Renovation costs	25,781,274.74	984,343.39	7,240,055.93	3,212,337.04	16,313,225.16
Shoppe expense	33,132,182.48	56,806,325.02	36,231,245.47	2,494,948.33	51,212,313.70
Other	23,933,524.85	11,913,736.28	9,273,514.74	2,197,751.86	24,375,994.53
Total	82,846,982.07	69,704,404.69	52,744,816.14	7,905,037.23	91,901,533.39

Note: other reductions are caused by loss of control of the subsidiary.

19. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	746,292,412.93	184,974,531.80	682,074,474.66	160,938,084.03
Unrealized internal sales gain and loss	100,026,922.96	25,006,730.74	75,656,622.48	18,914,155.62
Accrued expenses	113,547,244.37	28,241,712.82	114,093,986.59	28,165,776.55
Deferred income	90,555,138.14	21,799,952.55	98,649,185.43	23,704,256.37
Deductible losses	1,622,776,529.02	405,694,132.25	1,223,305,795.11	295,093,235.44
	144,068,370.06	36,017,092.52	89,960,000.00	22,490,000.00
Total	2,817,266,617.48	701,734,152.68	2,283,740,064.27	549,305,508.01

Note: Other energy-saving subsidies, accrued liabilities, pre-collected housing payments, pre-paid earnest money and employee compensations that have not been refunded.

(2) Lists of deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Accelerated depreciation of fixed assets	6,867,714.25	1,030,157.14	10,219,095.65	1,532,864.34
Change of fair value of trading financial assets	39,557,580.99	9,889,395.25	7,184,035.28	1,796,008.82
Change in fair value of available-for-sale	8,547,425.00	2,136,856.25	556,635.24	139,158.81

financial assets				
Internal for the realization of the loss	14,848,590.56	3,712,147.64	—	—
Prepaid taxes	9,577,050.20	2,394,262.55	—	—
Total	79,398,361.00	19,162,818.83	17,959,766.17	3,468,031.97

(3) List of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	215,783,474.69	385,065,293.90
Deductible losses	1,198,447,416.45	1,162,480,889.15
Total	1,414,230,891.14	1,547,546,183.05

20. Assets impairment provision

Item	Opening balance	Withdrawn impairment balance at the period-begin	Decreased		Closing balance
			Reverse	Write-off	
I. Bad debt provision	537,676,181.03	35,753,849.32	5,958,296.73	12,665,477.03	554,806,256.59
II. Impairment of inventories	307,657,449.40	153,770,820.62	—	174,277,061.26	287,151,208.76
III. Impairment provision of the available-for-sale financial assets	4,997,785.64	—	—	—	4,997,785.64
IV. Impairment provision of the fixed assets	37,908,220.32	3,210,474.17	—	15,906,004.39	25,212,690.10
V. Impairment provision of the intangible assets	2,901,082.61	—	—	—	2,901,082.61
VI. Long-term equity investment	33,906,863.92	—	—	—	33,906,863.92
Total	925,047,582.92	192,735,144.11	5,958,296.73	202,848,542.68	908,975,887.62

21. Short-term loans

Item of short-term loans

Item	Closing balance	Opening balance
Guaranteed loan	720,088,506.52	1,196,103,036.53
Credit loan	5,842,745,719.99	2,954,670,159.23
Total	6,562,834,226.51	4,150,773,195.76

Note: at the end of the year, the balance of the loan secured by the related party in the loan is RMB 278206762.40 yuan, and the security situation is as detailed in note eleven, 5 (4).

22. Profits of residual equity re-calculated based on fair value after the control right is lost

Item	Closing balance	Opening balance
Loss of forward purchase agreement	337,263.13	—
Total	337,263.13	—

23. Notes payable

Item	Closing balance	Opening balance
Commercial acceptance bill	259,499,645.15	—
Bank acceptance bill	604,209,493.24	929,176,857.06
Total	863,709,138.39	929,176,857.06

Notes: RMB 863,709,138.39 will be due in next fiscal period.

24. Accounts payable

(1) List of accounts payable

Item	Closing balance	Opening balance
Within 1 year	3,051,643,650.52	2,806,965,708.04
1 to 2 years	53,050,351.35	126,958,011.57
2 to 3 years	10,532,651.04	28,320,658.56
Over 3 years	44,846,922.65	18,172,605.08
Total	3,160,073,575.56	2,980,416,983.25

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

Item	Closing balance	Unpaid/ Un-carry-over reason
Tentatively estimated project funds	51,461,966.09	Unsettled
Equity transfer funds	9,543,100.00	Unsettled
Total	61,005,066.09	

25. Advance from customers

(1) List of advance from customers

Item	Closing balance	Opening balance
Within 1 year	1,160,427,420.29	308,012,574.61
1 to 2 years	19,169,243.24	21,697,745.80
2 to 3 years	6,518,376.19	5,825,837.33
Over 3 years	15,311,183.98	14,248,649.58
Total	1,201,426,223.70	349,784,807.32

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

(3) Advance receipts of houses

Item	Closing balance	Opening balance
Shuiyue Zhouzhuang Project(Phase I)	1,345,098.00	81,228,984.00
Shuiyue Zhouzhuang Project(Phase II)	2,560,000.00	13,509,507.91
Shuiyue Zhouzhuang Project(Phase III)	890,759,963.00	—
合计	894,665,061.00	94,738,491.91

26. Payroll payable

(1) List of Payroll payable

Item	Opening balance	Increased	Decreased	Other decreases	Closing balance
I. Short-term salary	271,481,205.46	1,533,586,438.04	1,519,327,532.08	16,411,165.31	269,328,946.11
II. Post-employment benefit-defined contribution	2,458,579.25	136,454,415.93	136,776,345.72	69,272.98	2,067,376.48

Item	Opening balance	Increased	Decreased	Other decreases	Closing balance
plans					
III. Termination benefits	5,691,474.00	25,258,310.99	23,603,090.93	5,683,500.00	1,663,194.06
IV. Other benefits due within one year	—	1,733,370.44	1,733,370.44	—	—
Total	279,631,258.71	1,697,032,535.40	1,681,440,339.17	22,163,938.29	273,059,516.65

Note: Other decreases in the Current Year are due to cease of control over subsidiaries.

(2) List of Short-term salary

Item	Opening balance	Increased	Decreased	Other decreases	Closing balance
1. Salary, bonus, allowance, subsidy	262,158,525.22	1,345,827,276.76	1,331,752,932.76	16,284,619.54	259,948,249.68
2. Employee welfare	1,257,181.26	67,301,868.86	67,348,423.49	—	1,210,626.63
3. Social insurance	1,937,335.09	60,543,678.29	60,648,498.68	33,134.73	1,799,379.97
Including: 1. Medical insurance premiums	1,392,834.34	52,099,831.33	52,572,531.73	25,711.05	894,422.89
Work-related injury insurance	102,543.07	4,699,645.36	4,616,153.19	5,797.30	180,237.94
Maternity insurance	441,957.68	3,744,201.60	3,459,813.76	1,626.38	724,719.14
4. Housing fund	1,496,698.09	30,878,595.89	31,000,678.86	61,611.00	1,313,004.12
5. Labor union budget and employee education budget	4,219,899.55	10,836,321.24	10,709,998.55	31,800.04	4,314,422.20
6. Short-term absence with payment	—	—	—	—	—
7. Short-term profit sharing plan	—	—	—	—	—
8. Other	411,566.25	18,198,697.00	17,866,999.74	—	743,263.51
Total	271,481,205.46	1,533,586,438.04	1,519,327,532.08	16,411,165.31	269,328,946.11

Note: Other decreases in the Current Year are due to cease of control over subsidiaries.

(3) List of drawing scheme

Item	Opening balance	Increased	Decreased	Other decreases	Closing balance
1. Basic pension benefits	2,129,581.26	131,553,506.23	131,689,315.90	64,296.26	1,929,475.33
2. Unemployment insurance	328,997.99	4,900,909.70	5,087,029.82	4,976.72	137,901.15
3. Annuity	—	—	—	—	—
Total	2,458,579.25	136,454,415.93	136,776,345.72	69,272.98	2,067,376.48

Note: Other decreases in the Current Year are due to cease of control over subsidiaries.

27. Taxes payable

Item	Closing balance	Opening balance
VAT	22,004,630.74	13,316,492.43
Corporate income tax	47,284,465.50	15,106,336.81
Fund for disposing abandoned appliances and electronic products	22,247,050.00	19,694,608.00
Land use tax	7,665,004.34	8,167,617.98
Property tax	5,981,502.18	6,669,507.57
Business tax	5,657,810.54	2,049,531.99
Tariff	4,840,472.49	12,085,368.84
Personal income tax	3,057,758.99	5,468,489.97
Urban maintenance and construction tax	1,045,876.46	1,392,874.16
Stamp duty	1,038,401.33	3,067,887.89
Education charge and local education surcharge	762,586.83	939,576.85
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	2,661.16	1,286,346.53
Other	317,200.62	2,853,312.88
Total	121,905,421.18	92,097,951.90

28. Interest payable

Item	Closing balance	Opening balance
Loan interests	21,344,172.45	20,552,763.14

Total	21,344,172.45	20,552,763.14
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29. Other accounts payable

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

Item	Closing balance	Opening balance
Accrued expenses	1,024,955,359.82	958,366,586.73
Margin	200,962,374.64	228,909,206.83
Intercourse funds	140,710,255.05	172,797,449.90
Payment on behalf	9,468,406.97	10,769,352.74
Other	68,253,590.26	180,088,977.15
Total	1,444,349,986.74	1,550,931,573.35

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

Item	Closing balance	Reason for not yet returned or carried forward
Security deposits	92,682,050.57	Unsettled
Total	92,682,050.57	—

30. Non-current liabilities due within 1 year

Item	Closing balance	Opening balance
Long-term loans due within 1 year(Note: 31)	—	573,341,856.11
Long-term loans due within 1 year(Note: 32)	41,025.60	57,103.54
Total	41,025.60	573,398,959.65

31. Long-term loan

Item	Closing balance	Opening balance
Mortgage loan	—	63,776,957.13
Guaranteed loan	—	23,700,000.00
Credit loan	70,000,000.00	509,564,898.98
Less: long-term loans due within 1 year(Note: 30)	—	573,341,856.11
Total	70,000,000.00	23,700,000.00

32. Long-term payable

Item	Closing balance	Opening balance
Chuzhou Tongchuang Jianshe Investment Co., Ltd.	30,000,000.00	30,000,000.00
Accrued financial lease outlay	143,589.74	190,436.91
Less: Expired part due within 1 year (Note: 30)	41,025.60	57,103.54
Total	30,102,564.14	30,133,333.37

33. 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	18,151,659.90	23,435,856.86
II. Termination benefits	—	—
III. Other long term welfare	—	—
Total	18,151,659.90	23,435,856.86

(2) Changes of defined benefit plans

① Present worth of defined benefit plans obligation:

Item	Reporting Period	Last period
I. Opening balance	23,435,856.86	28,554,734.16
II. Defined benefit cost recorded into current profits and losses	—	—
1. Current service cost	—	—
2. Previous service cost	—	—
3. Settlement gains (loss “—”)	—	—
4. Net interest	—	—
III. Other changes	5,284,196.96	5,118,877.30
1. Consideration of settlement of payment	—	—
2. Welfare had paid	5,284,196.96	5,118,877.30
Balance at year- end	18,151,659.90	23,435,856.86

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

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

The accumulative compensation paid to the internal early retirement pensions in future year is 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.

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

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

34. Accrued liabilities

Item	Opening balance	Closing balance	Formation reasons
Pending litigation	4,711,597.59	4,629,554.61	Litigation
Staff compensation	2,840,387.51	—	Change the contract
Total	7,551,985.10	4,629,554.61	

35. Deferred income

Item	Opening balance	Increased	Decreased	Other reductions of the year	Closing balance	Formation reasons
Government subsidies	162,786,004.20	12,808,000.00	23,758,573.37	21,264,305.41	130,571,125.42	摊销
Total	162,786,004.20	12,808,000.00	23,758,573.37	21,264,305.41	130,571,125.42	—

Note: other reductions in this year resulted in loss of control of the subsidiary.

Of which, items involved in government subsidies:

Liabilities	Opening balance	Additional subsidies of the year	Non-business income of the year	Other changes	Closing balance	Related to assets/ Related to earnings
Equipment engineering and technical subsidies	14,040,000.00	—	3,510,000.00	—	10,530,000.00	Related to assets
Smart TV industrial chain of Konka Group Co., Ltd	12,800,000.00	—	—	—	12,800,000.00	Related to assets
Smart TV industrial project of Konka Group Co., Ltd. of Shenzhen Finance Committee	8,170,000.00	—	—	—	8,170,000.00	Related to assets
Research, production and industrialization intelligent terminal system of next-generation internet	7,908,737.85	—	131,812.30	—	7,776,925.55	Related to assets
AVS/DRA terminal and matched core chip R & D	5,620,000.00	—	—	—	5,620,000.00	Related to assets
Research, development and industrialization of new smart TV of man-machine interaction	5,256,893.21	—	—	—	5,256,893.21	Related to assets
Laboratory project of next-generation Konka multimedia terminal technology	5,000,000.00	—	—	—	5,000,000.00	Related to assets
Capital of 2008 tablet display industry	4,499,999.90	—	2,000,000.00	—	2,499,999.90	Related to assets
New application service system of mobile smart terminal	4,000,000.00	—	—	—	4,000,000.00	Related to assets
Research, development and industrialization of Major technology of LED backlight FDTV	3,750,000.05	—	1,000,000.00	—	2,750,000.05	Related to assets
Special funds of provincial strategic emerging industry of Dongguan Finance Bureau	3,600,000.00	—	600,000.00	—	3,000,000.00	Related to assets
Funds of Shenzhen Industrial Design Center from Shenzhen Economic, Trade and Information	3,000,000.00	3,620,000.00	—	—	6,620,000.00	Related to assets

Liabilities	Opening balance	Additional subsidies of the year	Non-business income of the year	Other changes	Closing balance	Related to assets/ Related to earnings
Committee						
Research, development and industrialization of digital products of synergetic interconnection	2,600,000.00	—	—	—	2,600,000.00	Related to assets
Special fund of 2010-2012 industrial technology	2,556,666.66	—	420,000.08	—	2,136,666.58	Related to assets
Transformation of 2010 provincial scientific and technological innovation and achievement	2,478,260.88	—	521,739.12	—	1,956,521.76	Related to assets
Whole machine integration of module	2,475,000.00	—	300,000.00	—	2,175,000.00	Related to assets
Embedded OS development and terminal system development for TV application	2,470,000.00	—	—	—	2,470,000.00	Related to assets
Information safety system for mobile smart terminal	2,400,000.00	—	—	—	2,400,000.00	Related to assets
Research, development and industrialization project of new two-channel 3D smart TV	2,030,000.00	—	33,833.33	—	1,996,166.67	Related to assets
Comprehensive integration and innovation project of lean manufacturing implementation system	2,000,000.00	—	—	—	2,000,000.00	Related to assets
Industrialization project of large-size liquid crystal module (LCM)	2,000,000.00	—	2,000,000.00	—	—	Related to assets
Smart TV and system supporting platform of three networks combination	1,866,666.68	—	400,000.00	—	1,466,666.68	Related to assets
Subsidies of R&D instrument	1,648,133.29	—	420,800.04	—	1,227,333.25	Related to assets
Research and development of new internet terminal application service system	1,450,000.00	—	600,000.00	—	850,000.00	Related to assets
Research, development and industrialization of	1,229,999.85	—	1,229,999.85	—	—	Related to assets

Liabilities	Opening balance	Additional subsidies of the year	Non-business income of the year	Other changes	Closing balance	Related to assets/ Related to earnings
all-in-one machine of international digital terrestrial multimedia broadcast						
Research, development and industrialization of large-size liquid crystal module	1,200,000.00	—	1,200,000.00	—	—	Related to assets
Mobile internet and 4 th generation mobile communication industry	—	4,000,000.00	—	—	4,000,000.00	Related to assets
Compensation of Jielunte infrastructure construction	11,550,000.00	—	—	11,550,000.00	—	Related to assets
Special funds of technical improvement project of Committee of Science and Technology Innovation of Shenzhen	4,500,000.00	—	—	4,500,000.00	—	Related to assets
Governmental subsidies of off-shore project	2,800,000.00	—	—	2,800,000.00	—	Related to assets
Industrialization technology transformation of large-size precise and multi-color injection mold	1,909,920.93	—	—	1,909,920.93	—	Related to assets
Others	27,511,134.19	5,188,000.00	5,061,903.53	—	27,637,230.66	Related to assets
Sub-total	154,321,413.49	12,808,000.00	19,430,088.25	20,759,920.93	126,939,404.31	
Others	8,464,590.71	—	4,328,485.12	504,384.48	3,631,721.11	Related to earnings
Sub-total	8,464,590.71	—	4,328,485.12	504,384.48	3,631,721.11	
Total	162,786,004.20	12,808,000.00	23,758,573.37	21,264,305.41	130,571,125.42	

36. Share capital

Item	Opening balance	Increase/decrease in Reporting Period (+, -)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	2,407,945,408.00	—	—	—	—	—	2,407,945,408.00

37. Capital reserves

Item	Opening balance	Increased	Decreased	Closing balance
Capital premium	7,393,378.55	—	—	7,393,378.55
Other capital reserves	70,816,156.64	37,057,362.06	35,543,805.21	72,329,713.49
Total	78,209,535.19	37,057,362.06	35,543,805.21	79,723,092.04

Notes: Other changes in the owner's equity (excluding net profit or loss) of Shanghai Konka Green Technology Co., Ltd., Enraytek Optoelectronics Co., Ltd. and Shenzhen Ruifeng Optoelectronics Co., Ltd. increase the other capital reserves by RMB 37,057,362.06. The equity disposal of Shenzhen Ruifeng Optoelectronics Co., Ltd. decreases other capital reserves by RMB 35,543,805.21.

38. 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 cannot be reclassified into profits and losses in future	—	—	—	—	—	—	—
II. Other comprehensive reclassified into profits or losses	—	—	—	—	—	—	—
Of which: other comprehensive income as per equity method recognized into profit and loss in future	—	—	—	—	—	—	—
Profits or losses of change in fair value of available-for-sale financial assets	1,444,788.01	8,547,425.00	1,444,788.00	2,136,856.25	4,965,780.75	—	6,410,568.76
Converted difference of the foreign currency financial statement	1,710,955.99	-15,259,139.66	—	—	-15,053,629.40	-205,510.26	-13,342,673.41
Total	3,155,744.00	-6,711,714.66	1,444,788.00	2,136,856.25	-10,087,848.65	-205,510.26	-6,932,104.65

39. Surplus reserves

Item	Opening balance	Increased	Decreased	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.

40. Retained profits

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	-522,836,282.66	746,022,758.89
Total opening balance of retained profits before adjustments (increase+, decrease -)	—	—
Opening balance of retained profits after adjustments	-522,836,282.66	746,022,758.89
Add: Net profit attributable to owners of the Company	95,673,028.03	-1,256,819,314.51
Less: Withdrawal of statutory surplus reserves	—	—
Withdrawal of discretionary surplus reserves	—	—
Dividend of common stock payable	—	12,039,727.04
Dividend of common stock transfer into share capital	—	—
Closing retained profits	-427,163,254.63	-522,836,282.66

41. Revenues and operating costs

1. Revenue and Cost of Sales

Item	Reporting Period		Last period	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	17,167,313,167.21	14,622,628,859.55	17,261,298,403.20	15,019,583,475.18
Other operations	3,132,034,969.00	2,895,701,483.44	1,133,878,632.78	1,035,913,710.44
Total	20,299,348,136.21	17,518,330,342.99	18,395,177,035.98	16,055,497,185.62

(2) Main operations (Classified by product)

Product	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Color TV business	12,478,427,986.35	10,729,196,625.12	12,590,931,785.71	11,006,357,581.37
Mobile phone business	1,701,770,760.58	1,354,850,701.01	1,569,786,771.56	1,276,893,910.52
Consumer appliances business	970,287,086.42	888,167,026.43	790,942,197.54	748,974,690.95
Other	2,016,827,333.86	1,650,414,506.99	2,309,637,648.39	1,987,357,292.34
Total	17,167,313,167.21	14,622,628,859.55	17,261,298,403.20	15,019,583,475.18

(3) Main operations (Classified by area)

Area	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	11,150,662,775.63	8,997,456,385.97	11,332,127,336.67	9,430,634,537.03
Overseas sales	6,016,650,391.58	5,625,172,473.58	5,929,171,066.53	5,588,948,938.15
Total	17,167,313,167.21	14,622,628,859.55	17,261,298,403.20	15,019,583,475.18

(4) Other operations (Classified by product)

Product name	Reporting Period		Same period of last year	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Trade income	2,317,805,158.77	2,300,635,459.09	598,960,641.11	591,804,734.74
Other	814,229,810.23	595,066,024.35	534,917,991.67	444,108,975.70
Total	3,132,034,969.00	2,895,701,483.44	1,133,878,632.78	1,035,913,710.44

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

Period	Main operation revenue	Proportion of total business revenue (%)
Y 2016	4,731,230,318.90	23.31
Y 2015	3,298,880,853.29	17.93

42. Business tax and surcharges

Item	Reporting Period	Last period
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Item	Reporting Period	Last period
Urban maintenance and construction tax	31,636,994.52	31,858,403.10
Land VAT	17,327,476.12	12,908,502.64
Business tax	14,137,366.07	25,434,795.00
Education surtax	13,907,406.51	13,911,746.90
Local education surtax	9,437,113.58	9,615,001.74
Stamp duty	8,899,110.14	—
Property tax	8,478,117.89	—
Land holding tax	7,603,617.22	—
Travel tax	5,760.00	—
Water resources fund	1,869.24	—
Other	532,649.67	794,949.52
Total	111,967,480.96	94,523,398.90

Note: (1) The item “business tariff and annex” shall be modified to “taxes and additional” after the business tax is replaced with added-value tax based on Regulations on Accounting Treatment of Value-added Tax (CH [2016]-No. 22) issued by Ministry of Finance, which calculates the consumption tax, urban maintenance and construction tax, resource tax, extra charges of education funds, real estate tax, land use tax, vehicle and vessel use tax, stamp tax and other relevant tax incurred in enterprise's business activities; and the item “business tariff and annex” shall be modified to “taxes and additional” in income statement.

(2) The measurement standards of business tax and surcharges see Notes V. Tax.

43. Sales expenses

Item	Reporting Period	Last period
Salary	642,050,865.73	637,502,858.56
Promotional activities	456,194,224.02	422,601,760.68
Warranty fee	329,602,119.20	326,633,784.28
Logistic Fee	247,860,015.44	358,821,827.56
Advertising expense	215,372,746.88	266,849,899.18
Social security charges	102,518,097.89	99,423,394.48
Taxes and fund	79,027,665.46	73,865,498.94
Business travel charges	35,131,539.08	39,697,519.90
Rental charges	22,298,840.47	29,615,957.91
Employee welfare	18,302,420.37	19,492,036.66
Other	137,639,751.43	173,833,011.28

Total	2, 285, 998, 285. 97	2, 448, 337, 549. 43
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44. Administrative expenses

Item	Reporting Period	Last period
R&D expenses	191, 650, 648. 39	229, 397, 281. 19
Salary	184, 157, 561. 77	174, 464, 266. 91
Taxes and fund	31, 293, 982. 01	33, 156, 228. 75
Depreciation charge	21, 135, 641. 62	22, 836, 537. 65
Patent fee	18, 099, 818. 89	21, 808, 406. 79
Business entertainment expense	16, 727, 226. 74	19, 758, 529. 99
Social security charges	13, 256, 107. 22	12, 627, 143. 05
Business travel charges	12, 271, 213. 92	36, 087, 894. 16
Consulting fees	11, 585, 714. 21	13, 515, 296. 14
Employee welfare	10, 960, 120. 57	11, 611, 229. 54
Water & electricity fees	9, 814, 237. 66	10, 417, 929. 04
Labor-union expenditure	7, 652, 400. 13	7, 429, 275. 36
Other	78, 974, 442. 52	102, 620, 995. 02
Total	607, 579, 115. 65	695, 731, 013. 59

45. Financial expenses

Item	Reporting Period	Last period
Interest expenses	198, 330, 557. 12	165, 242, 581. 67
Less: Interest income	55, 199, 760. 75	58, 996, 071. 96
Exchange gains and losses	3, 377, 513. 83	228, 619, 830. 03
Other	8, 256, 235. 92	15, 749, 983. 81
Total	154, 764, 546. 12	350, 616, 323. 55

46. Asset impairment loss

Item	Reporting Period	Last period
Bad debt loss	29, 795, 552. 59	212, 232, 393. 12
Inventory falling price loss	153, 770, 820. 62	86, 950, 424. 76

Impairment losses of available-for-sale financial assets	—	2,912,785.64
Impairment losses of long-term equity investment	—	33,906,863.92
Fixed assets impairment losses	3,210,474.17	29,860,644.19
Total	186,776,847.38	365,863,111.63

47. Gains on the changes in the fair value

Source	Reporting Period	Last period
Financial assets measured by fair value and the changes be included in the current profits and losses	-14,617,369.08	32,591,836.13
Of which, gains on the changes in the fair value of derivative financial instruments	-14,617,369.08	32,591,836.13
Total	-14,617,369.08	32,591,836.13

48. Investment income

Item	Reporting Period	Last period
Long-term equity investment income accounted by equity method	12,738,812.54	-18,793,708.66
Investment income arising from disposal of long-term equity investments	21,145,788.55	—
Investment income received from holding of available-for-sale financial assets	2,136,847.06	2,212,535.21
Investment income received from disposal of available-for-sale financial assets	7,035,083.79	48,859.12
Gains arising from fair value re-measurement of remaining equity interests in investees after cease of control over those investees	1,824,788.16	8,290,862.30
Equity investments measured at equity method changed to financial assets	206,303,753.38	—
Gains on wealth management products and entrusted loans	71,556,841.08	21,816,104.80
Investment income from disposal of financial assets at fair value through profit/loss	25,704,013.09	—
Total	348,445,927.65	13,574,652.77
项 目	本年发生额	上年发生额
权益法核算的长期股权投资收益	12,738,812.54	-18,793,708.66

Item	Reporting Period	Last period
处置长期股权投资产生的投资收益	21,145,788.55	—
可供出售金融资产在持有期间的投资收益	2,136,847.06	2,212,535.21
处置可供出售金融资产取得的投资收益	7,035,083.79	48,859.12
丧失控制权后，剩余股权按公允价值重新计量产生的利得	1,824,788.16	8,290,862.30
权益法核算的股权投资转为金融资产	206,303,753.38	—
购买理财、委托贷款产生的收益	71,556,841.08	21,816,104.80
处置以公允价值计量且其变动计入当期损益的金融资产取得的投资收益	25,704,013.09	—
合 计	348,445,927.65	13,574,652.77

49. Non-operating gains

Item	Reporting Period	Last period	The amount included in the current non-recurring gains and losses
Total gains from disposal of non-current assets	5,205,974.43	1,431,893.68	5,205,974.43
Including: Gains from disposal of fixed assets	5,205,974.43	1,431,893.68	5,205,974.43
Government grants (Details, see the statement below, lists of government subsidies)	234,802,344.00	138,975,824.71	113,350,808.96
Income from compensation	10,884,825.38	4,620,972.98	10,884,825.38
Penalty income	5,274,775.72	5,753,390.97	5,274,775.72
Other	14,660,503.81	7,756,214.66	14,660,503.81
Total	270,828,423.34	158,538,297.00	149,376,888.30

Of which, government subsidies recorded into current profits and losses

Item	Reporting Period	Same period of last year	Related to the assets/ income
Software tax returns	121,451,535.04	67,476,494.60	Related to the income
Government financing	40,577,764.60	3,713,042.00	Related to the income
Deferred income	23,758,573.37	24,619,013.34	See note VI. 35
Awards and subsidies	13,421,731.12	15,018,153.38	Related to the income

Item	Reporting Period	Same period of last year	Related to the assets/ income
Smart home appliances special funds	12,322,500.00	—	Related to the income
Land tax returns	9,164,300.00	—	Related to the income
Post allowance	4,557,740.52	4,108,800.00	Related to the income
The L/C export subsidies	2,243,284.00	2,711,014.00	Related to the income
Financial Discounts	520,000.00	16,697,890.80	Related to the income
Other	6,784,915.35	4,631,416.59	Related to the income
Total	234,802,344.00	138,975,824.71	

50. Non-operating expenses

Item	Reporting Period	Last period	The amount included in the current non-recurring gains and losses
Loss on disposal of non-current assets	2,967,838.13	12,339,287.69	2,967,838.13
Including: Loss on disposal of fixed assets	2,967,838.13	12,339,287.69	2,967,838.13
Compensation expenses	1,245,373.01	17,094,119.09	1,245,373.01
Penalty expenses	1,062,490.04	1,224,158.89	1,062,490.04
External donation expenses	910,036.49	1,449,348.77	910,036.49
Refundable energy saving government subsidy	—	89,960,000.00	—
Other	4,667,903.87	12,713,996.13	4,667,903.87
Total	10,853,641.54	134,780,910.57	10,853,641.54

51. Income tax expense

(1) Lists of income tax expense

Item	Reporting Period	Last period
Current income tax expense	79,426,714.19	18,057,113.35
Deferred income tax expense	-143,867,214.76	-287,680,022.11

Total	-64, 440, 500. 57	-269, 622, 908. 76
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(2) Adjustment process of accounting profit and income tax expense

Item	Reporting Period
Total profits	27, 734, 857. 51
Current income tax expense accounted by tax and relevant regulations	6, 933, 714. 38
Influence of different tax rate suitable to subsidiary	-45, 513, 470. 03
Influence of income tax before adjustment	51, 869. 62
Influence of non taxable income	-14, 697, 292. 07
Influence of not deductible costs, expenses and losses	11, 112, 344. 18
Influence of deductible losses of deferred income tax assets derecognized used in previous period	-30, 731, 596. 04
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	18, 835, 044. 37
Changes of the balance of deferred income tax assets/ liabilities in previous period due to adjustment of tax rate	-1, 808. 14
Influence of plus deducting costs	-10, 429, 306. 84
Income tax expense	-64, 440, 500. 57

52. Other comprehensive income

See notes VI. 38

53. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities

Item	Reporting Period	Last period
Intercourse funds	155, 169, 679. 92	144, 699, 799. 50
Income from government subsidy	89, 592, 235. 59	87, 460, 993. 66
Bargain money and deposit	56, 272, 190. 17	72, 231, 723. 07

Interest income from bank deposits	52,885,730.88	51,113,129.24
Income from waste	13,355,316.08	17,420,360.55
Insurance indemnity income	6,084,773.95	9,781,562.99
Repayment of individual borrowing	3,726,746.63	34,877,755.30
Income from fine and penalty	3,472,963.01	1,284,765.81
Temporary received repair fund	583,683.33	3,098,865.44
Other	55,017,013.60	21,717,469.18
Total	436,160,333.16	443,686,424.74

(2) Other cash paid relevant to operating activities

Item	Reporting Period	Last period
Expense for cash payment	1,005,121,650.16	963,497,935.43
Payment for pledges, guarantee and repair	35,082,398.56	16,001,436.93
Expense for bank handling charges	122,285,418.21	113,287,169.86
Employee reserve fund	23,151,880.41	30,468,528.61
Payment made on behalf	9,389,229.30	13,440,138.47
Donation expense	910,036.49	1,481,651.00
Compensation expense	124,386.36	13,036,082.41
Other expense	38,601,430.52	34,076,092.32
Total	1,234,666,430.01	1,185,289,035.03

(3) Other cash received relevant to investment activity

Item	Reporting Period	Last period
Received financial product	9,632,843,700.00	3,152,200,000.00
Interest of land fund	200,839,640.31	—
Purchase of new share	50,000,000.00	—
Interest of share transfer	—	488,063,979.00
Interest of equity transfer	—	6,650,870.00
Total	9,883,683,340.31	3,646,914,849.00

(4) Other cash paid relevant to investment activity

Item	Reporting Period	Last period
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Purchase of financial product	9,429,843,700.00	3,651,700,000.00
Transfer of shares	201,150,384.41	—
Purchase of new share and capital transfer out	—	6,650,870.00
Other	49,019,277.58	150,398.22
Total	9,680,013,361.99	3,658,501,268.22

(5) Other cash received relevant to financing activities

Item	Reporting Period	Last period
Receipt and return of pledged RMB fixed deposits upon maturity	12,808,000.00	—
Government financing	—	118,098,914.34
Other	—	11,555.55
Total	12,808,000.00	118,110,469.89

(6) Other cash paid relevant to financing activities

Item	Reporting Period	Last period
Payment of acceptance bill and discount service in one bank	441,980,432.33	161,850,987.97
Cost of raising funds	1,317,451.84	14,543,722.06
Total	443,297,884.17	176,394,710.03

54. Supplementary information to cash flow statement**(1) Information of net profit to net cash flows generated from operating activities**

Supplementary materials	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	92,175,358.08	-1,275,844,762.65
Add: Provision for impairment of assets	186,776,847.38	365,863,111.63
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	117,924,999.15	162,114,374.61
Amortization of intangible assets	12,726,261.68	12,898,864.44
Long-term unamortized expenses	52,744,816.14	29,290,471.45
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-2,238,136.30	10,907,394.01
Losses on retirement of fixed assets	0.00	—
Losses from variation of fair value	14,617,369.08	-32,591,836.13
Financial cost (gains: negative)	91,957,039.21	393,862,411.70
Investment loss (gains: negative)	-348,445,927.65	-13,574,652.77

Decrease in deferred income tax assets (gains: negative)	-150,430,947.22	-289,789,111.75
Increase in deferred income tax liabilities (“-” means decrease)	15,694,786.86	2,418,533.20
Decrease in inventory (gains: negative)	-1,548,058,651.37	934,969,912.29
Decrease in accounts receivable from operating activities (gains: negative)	-423,090,590.16	1,198,719,245.20
Increase in payables from operating activities (decrease: negative)	939,269,945.54	-209,643,472.57
Other	-23,758,957.85	
Net cash flows generated from operating activities	-972,135,787.43	1,289,600,482.66
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	2,020,902,945.14	1,488,154,851.35
Less: Opening balance of cash	1,488,154,851.35	1,640,236,837.08
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	532,748,093.79	-152,081,985.73

(2) Cash and cash equivalents

Item	Opening balance
Cash or cash equivalents received in the current year due to disposal of subsidiaries in the current year	2,730,000.00
Of which: Shenzhen Konka Information Network Co., Ltd.	2,730,000.00
Less: Cash and cash equivalents held by subsidiaries on the date of cease of control	43,068,119.63
Of which: Shenzhen Konka Information Network Co., Ltd.	14,735,049.19
Shenzhen Konka Precision Mold Manufacturing Co., Ltd.	28,333,070.44
Net cash received from disposal of subsidiaries	-40,338,119.63

55. The assets with the ownership or use right restricted

Item	Closing book value	Restricted reason
Monetary funds	596,703,311.28	Margin deposit that cannot be drawn at any time
Notes receivable	1,480,722,697.16	It is used in issuing the bank acceptance, letter of credit, letter of guarantee, trade financing and other comprehensive financing businesses.
Fixed assets	5,807,674.32	Conservatory measures in litigation
Accounts receivable	810,810.00	Pledge for borrowings
Total	2,084,044,492.76	

56. Foreign currency monetary items

Foreign currency monetary items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			1,376,423,769.31
Including: USD	132,992,443.44	6.9370	922,568,580.14
EUR	88,593.03	7.3068	647,331.55
IDR	2,649,214,623.28	0.0005163	1,367,789.51
GBP	1.32	8.5094	11.23
HKD	504,539,497.48	0.8945	451,310,580.50
CAD	6.96	5.1406	35.78
PLN	319,479.00	1.6572	529,440.60
Account receivable			703,692,172.17
Including: USD	100,373,729.02	6.9370	696,292,558.21
IDR	6,226,313,306.22	0.0005163	3,214,645.56
HKD	4,399,516.05	0.8945	3,935,367.11
AUD	49,764.00	5.0157	249,601.29
Other accounts receivable			1,536,867.28
Including: USD	469.95	6.9370	3,260.04
EUR	22,745.23	7.3068	166,194.85
HKD	42,019.44	0.8945	37,586.39
IDR	105,752,469.49	0.0005163	54,600.00

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
JPY	21,400,000.00	0.05959	1,275,226.00
Accounts payable			457,081,461.47
Including: USD	65,682,043.40	6.9370	455,636,335.07
IDR	177,946,155.34	0.0005163	91,873.60
HKD	1,512,859.47	0.8945	1,353,252.80

VII. Changes of merge scope

1. The disposal of subsidiary

Single disposal of investment to subsidiary that losing control

Name of the 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
Changshu Konka Electric Co., Ltd.	—	60.00	Cancellation	2016-5-31	Liquidation completed	—
KONKA AMERICA, INC.	—	100.00	Cancellation	2016-1-3	Cancellation	1,457,354.30
Shenzhen Konka Information Network Co., Ltd.	13,820,368.77	51.00	Transfer	2016-11-1	Transfer of equity, operation and financial controlling power	8,553,340.23

(Continued)

Name of the 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
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						investment
Changshu Konka Electric Co., Ltd.	—	—	—	—	—	—
Konka America, Inc.	—	—	—	—	—	—
Shenzhen Konka Information Network Co., Ltd.	49.00	5,060,478.40	13,278,393.51	8,217,915.11	Trading consideration and evaluation report	—

2. Other reasons for the changes in combination scope

(1) The subsidiary Kangdian Investment Co., Ltd. signs agreement with Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd. on 31 Dec. 2015. Therefore, Shenzhen Dingshengxin Mould Technology Consultation Co., Ltd. has terminated to entrust Kangdian Investment Co., Ltd. to manage its 6.18% of equity of precision mould since 1 Jan. 2016. Shenzhen Konka Precision Mould Manufacturing and its subsidiaries (Kunshan Jielunte Mould Plastic Co., Ltd., Dongguan Xuda Mould Plastic Co., Ltd., Chuzhou Jielunte Mould Plastic Co., Ltd., Anhui Jiasen Precision Technology Co., Ltd., Wuhan Jielunte Mould Plastic Co., Ltd. and Dongguan Konka Mould Plastic Co., Ltd.) have been excluded in the merge scope since 1 Jan. 2016.

(2) The company and natural Wu Guoren and Xiao Yongsong register and establish Zhongkang Supply Chain Management Co., Ltd. on 15 Jul. 2016 with the cash investment of Konka Group Co., Ltd. of USD 765,000 (equity: 51%), that of Wu Guoren of USD 375,000 (equity: 25%), and that of Xiao Yongsong of USD 360,000 (equity: 24%). We have control rights and have included it into merge scope since 15 Jul. 2016.

(3) The Company have registered and established Yilifang (Hainan) Technology Co., Ltd. in Hainan Province on 30 Sep. 2016, with the registered capital of RMB 20 million. The Company holds 100% of shares and has included it into merge scope since 30 Sep. 2016.

(4) The subsidiary Konka Yishijie Co., Ltd. funds and establishes wholly-owned subsidiary Kangqiao Yilian Co. Ltd. on 1 Apr. 2016, with the registered capital of RMB 5 million, whose actual investment is RMB 5,000.00 by the date of balance sheet. We have control rights and have included it into merge scope since then.

(5) The Company registered and established Chuzhou Konka Technology Industrial Development Co., Ltd. in Anhui Province on 31 Oct. 2016, with the registered capital of RMB 40 million and 100% of shares. Our shareholders shall invest before 26 Feb. 2017. We have not invested by the date of issuing the report. We have control rights and have included it into merge scope since 31 Oct. 2016.

VIII. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Telecommunications Technology Co., Ltd.	Guangdong • Shenzhen	Guangdong • Shenzhen	Manufacturing	75.00	25.00	Incorporation or investment
Shenzhen Konka Electronic Co., Ltd.	Guangdong • Shenzhen	Guangdong • Shenzhen	Manufacturing and trading	100.00	—	Incorporation or investment
Shenzhen Konka Plastic Products Co., Ltd.	Guangdong • Shenzhen	Guangdong • Shenzhen	Manufacturing	49.00	51.00	Incorporation or investment
Shenzhen Konka Life Electronic Co., Ltd.	Guangdong • Shenzhen	Guangdong • Shenzhen	Manufacturing	75.00	25.00	Incorporation or investment
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Guangdong • Shenzhen	Guangdong • Shenzhen	Investment and holding	75.00	25.00	Incorporation or investment
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Heilongjiang • Mudanjiang	Heilongjiang • Mudanjiang	Manufacturing	60.00	—	Incorporation or investment
Chongqing Konka Electronic Co., Ltd. ①	Chongqing	Chongqing	Manufacturing	—	40.00	Incorporation or investment
Anhui Konka Electronic Co., Ltd.	Anhui • Chuzhou	Anhui • Chuzhou	Manufacturing	78.00	—	Incorporation or investment
Anhui Konka Appliance Co., Ltd.	Anhui • Chuzhou	Anhui • Chuzhou	Manufacturing	—	100.00	Incorporation or investment
Kunshan Konka Electronic Co., Ltd.	Jiangsu • Kunshan	Jiangsu • Kunshan	Manufacturing	100.00	—	Incorporation or investment
Dongguan Konka Electronic Co., Ltd.	Guangdong • Dongguan	Guangdong • Dongguan	Manufacturing	75.00	25.00	Incorporation or investment
Dongguan Konka Packing Materials Co., Ltd.	Guangdong • Dongguan	Guangdong • Dongguan	Manufacturing	—	100.00	Incorporation or investment
Boluo Konka PCB Co., Ltd.	Guangdong • Boluo	Guangdong • Boluo	Manufacturing	—	51.00	Incorporation or investment
Boluo Konka Precision Technology Co., Ltd.	Guangdong • Boluo	Guangdong • Boluo	Manufacturing	—	100.00	Incorporation or investment

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Hong Kong Konka Co., Ltd.	China • Hong Kong	China • Hong Kong	International trading	100.00	—	Incorporation or investment
Konka Household Appliances Investment & Development Co., Ltd.	China • Hong Kong	China • Hong Kong	Investment and holding	—	100.00	Incorporation or investment
Konka Household Appliances International Trading Co., Ltd.	China • Hong Kong	China • Hong Kong	International trading	—	100.00	Incorporation or investment
Konka (Europe) Co., Ltd.	Frankfurt of Germany	Frankfurt of Germany	International trading	100.00	—	Incorporation or investment
Konka Commercial Factoring (Shenzhen) Co., Ltd.②	Guangdong • Shenzhen	Guangdong • Shenzhen	Commercial factoring (non-bank finance)	100.00	—	Incorporation or investment
Shenzhen Wankaida Science and Technology Co., Ltd.	Guangdong • Shenzhen	Guangdong • Shenzhen	Software development	100.00	—	Incorporation or investment
Kunshan Kangsheng Investment Development Co., Ltd.	Jiangsu • Kunshan	Jiangsu • Kunshan	Real estate	100.00	—	Incorporation or investment
Anhui Konka Tongchuang Household Appliances Co., Ltd.③	Anhui • Chuzhou	Anhui • Chuzhou	Manufacturing	100.00	—	Incorporation or investment
Indonesia Konka Electronics Co., Ltd.	Indonesia	Indonesia	International trading	—	51.00	Incorporation or investment
Shenzhen Shushida Logistics Service Co., Ltd.	Guangdong Shenzhen	Guangdong Shenzhen	Logistics	100.00	—	Incorporation or investment
Beijing Konka Electronic Co., Ltd.	Beijing	Beijing	Sale of household appliances	100.00	—	Incorporation or investment
Shenzhen Konka E-display Co., Ltd.	Guangdong. Shenzhen	Guangdong. Shenzhen	Manufacturing	60.00	—	Incorporation or investment
Shenzhen E-display Service Co., Ltd.	Guangdong. Shenzhen	Guangdong. Shenzhen	Manufacturing		60.00	Incorporation or investment
Xiamen Dalong Trade Co., Ltd.	Fujian.Xiamen	Fujian.Xiamen	Trading	—	69.23	Incorporation or investment
Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Advertising	—	70.00	Incorporation or investment

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Kangqiaojiacheng Property Investment Co., Ltd	Guangdong. Shenzhen	Guangdong. Shenzhen	Real estate	70.00	—	Incorporation or investment
Konka Smarttech Limited	China • Hong Kong	China • Hong Kong	International trading	—	61.00	Incorporation or investment
Anhui Kakai Shijie E-Commerce Co., Ltd	Anhui.Chuzhou	Anhui.Chuzhou	e-commerce	80.00	—	Incorporation or investment
Shenzhen Yipingfang Network Technology Co., Ltd	Guangdong. Shenzhen	Guangdong. Shenzhen	Information service	100.00	—	Incorporation or investment
Shenzhen Konka Commercial Systems Technology Co., Ltd	Guangdong. Shenzhen	Guangdong. Shenzhen	Commerce	81.00	—	Incorporation or investment
Shenzhen Konka Mobile Internet Technology Co., Ltd.	Guangdong. Shenzhen	Guangdong. Shenzhen	Commerce	51.00	—	Incorporation or investment
Zhongkang Supply Chain Management Co., Ltd	China • Hong Kong	China • Hong Kong	International trading	—	51.00	Incorporation or investment
Shenzhen Kangqiao Yilian Technology Co., Ltd.	Guangdong. Shenzhen	Guangdong. Shenzhen	Commerce	60.00	—	Incorporation or investment
Yilifang (Hainan) Technology Co., Ltd	Hainan.Haikou	Hainan.Haikou	Network platform development	100.00	—	Incorporation or investment
Chuzhou Konka Technology & Industry Development Co., Ltd.	Anhui.Chuzhou	Anhui.Chuzhou	Technology industry	100.00	—	Incorporation or investment

Notes:

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

②Konka Commercial Factoring: Konka Commercial Factoring (Shenzhen) Co., Ltd. (former: Konka Optoelectronics Technology Co., Ltd.).

③Anhui Tongchuang is a limited company jointly invested and established by the Company

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

(2) Significant not wholly owned subsidiary

Name of the subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Anhui Konka Household Appliances Co., Ltd.	22.00	14,287,462.32	—	75,728,046.34
Kangqiao Jiacheng Properties Investment Co., Ltd.	30.00	-2,360,526.74	—	296,934,357.97
Kaikai Shijie	20.00	877,522.79	—	5,245,498.48
Konka Commercial Factoring	19.00	608,854.60	—	2,223,138.45
Mobile Internet	49.00	-4,535,361.92	—	5,265,218.72

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

Name	Closing balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka Household Appliances Co., Ltd.	882,686,223.79	237,235,477.46	1,119,921,701.25	758,810,489.87	9,378,492.06	768,188,981.93
Kangqiao	1,095,944,360.3	823,353.13	1,096,767,713.45	6,986,520.22	100,000,000.0	106,986,520.22

o Jiachen g Properti es Investm ent Co., Ltd.	2				0	
Kaikai Shijie	415,460,985.44	1,976,121.55	417,437,106.99	391,209,614.58	—	391,209,614.58
Konka Comme rcial Factorin g	60,748,150.41	210,589.31	60,958,739.72	49,258,011.04	—	49,258,011.04
Mobile Internet	51,339,640.20	25,744.89	51,365,385.09	40,620,040.76	—	40,620,040.76

(Continued)

Name	Opening balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka Househ old Applian ces Co., Ltd.	861,543,505.16	246,490,103.64	1,108,033,608.80	811,514,052.71	9,208,641.33	820,722,694.04
Kangqia o Jiachen g Properti es Investm ent Co., Ltd.	160,265,775.57	1,854,349.17	162,120,124.74	4,470,509.04	—	4,470,509.04
Kaikai Shijie	150,457,774.00	569,437.47	151,027,211.47	129,187,332.99	—	129,187,332.99
Konka Comme rcial Factorin	18,242,541.78	102,206.32	18,344,748.10	13,064,517.30	—	13,064,517.30

g						
Mobile Internet	10,001,184.99	—	10,001,184.99	—	—	—

Name	Reporting Period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Anhui Konka Household Appliances Co., Ltd.	6,179,232,216.41	64,421,804.56	64,421,804.56	153,271,169.35
Kangqiao Jiacheng Properties Investment Co., Ltd.	—	-7,868,422.47	-7,868,422.47	-943,033,937.45
Kaikai Shijie	863,408,156.37	4,387,613.93	4,387,613.93	20,077,547.85
Konka Commercial Factoring	132,498,763.77	3,204,497.88	3,204,497.88	10,381,601.86
Mobile Internet	303,773,820.22	-9,255,840.66	-9,255,840.66	-3,946,305.23

(Continued)

Name	Last period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Anhui Konka Household Appliances Co., Ltd.	5,226,927,921.25	5,741,493.20	5,741,493.20	-14,276,249.32
Kangqiao Jiacheng Properties Investment Co., Ltd.	—	-2,350,384.30	-2,350,384.30	-59,738,165.35
Kaikai Shijie	606,905,917.99	1,839,878.48	1,839,878.48	-60,139,940.98
Konka Commercial	37,310,898.12	1,743,230.80	1,743,230.80	-2,620,197.33

Factoring				
Mobile Internet	—	1, 184. 99	1, 184. 99	1, 184. 99

2. Equity in associated enterprise

(1) Significant associated enterprise

Subsidiary of associated enterprise	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Shenzhen Refund Optoelectronics Co., Ltd.	Shenzhen	Shenzhen	Production and sale of light emitting diode	—	46.31	Equity method
Enraytek Optoelectronics Co., Ltd.	Shanghai	Shanghai	Production and sale of light emitting diode	—	23.05	Equity method
Shanghai Konka Green Science & Technology Co., Ltd.	Shanghai	Shanghai	Production and sale of light emitting diode	39.00	—	Equity method

(2) Main financial information of significant associated enterprise

Item	Closing balance/Reporting Period			Opening balance/ same period of last year		
	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Current assets	337, 520, 215. 29	738, 946, 170. 94	361, 468, 348. 74	297, 773, 051. 60	643, 665, 278. 09	124, 548, 698. 88
Non-current assets	213, 358, 864. 83	900, 120, 117. 46	356, 832, 999. 34	212, 779, 305. 97	693, 903, 656. 72	237, 205, 034. 02
Total assets	550, 879, 080. 12	1, 639, 066, 288. 40	718, 301, 348. 08	510, 552, 357. 57	1, 337, 568, 934. 81	361, 753, 732. 90
Current liabilities	323, 883, 050. 63	724, 812, 281. 87	254, 144, 707. 10	276, 570, 255. 04	551, 431, 214. 97	97, 706, 289. 06
Non-current liability	15, 731, 811. 09	663, 406, 931. 69	71, 618, 268. 97	38, 261, 432. 65	556, 666, 832. 72	86, 797, 751. 49

Item	Closing balance/Reporting Period			Opening balance/ same period of last year		
	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Total liabilities	339,614,861.72	1,388,219,213.56	325,762,976.07	314,831,687.69	1,108,098,047.69	184,504,040.55
Minority interests	36,506,895.12	-959,669.10	172,560,267.62	31,578,892.05	-260,290.34	2,248,992.25
Equity attribute to the parent company	174,757,323.28	251,806,743.94	219,978,104.39	164,141,777.83	229,731,177.46	175,000,700.10
Portion of net assets calculated according to proportion of shareholdings	80,930,116.41	58,041,454.48	85,791,460.71	76,014,057.31	64,416,622.16	68,250,273.03
Adjusting events						
-Goodwill	—	—	—	—	—	—
-Unrealized internal sales gain and loss	—	—	—	—	—	—
-Other	4,474,914.87	—	—	—	—	—

Item	Closing balance/Reporting Period			Opening balance/ same period of last year		
	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Book value of equity investment to associated venture	85,405,031.28	58,041,454.48	85,791,460.71	76,014,057.31	64,416,622.16	68,250,273.03
Fair value of equity investment of associate enterprises with public offer	—	—	—	—	—	—
Operation revenue	424,417,240.90	207,977,609.60	474,548,859.80	444,963,605.26	165,482,576.55	120,572,337.08
Net profit	10,615,545.45	-80,323,704.62	27,916,818.85	-13,867,162.43	-58,648,256.05	-21,424,479.94
Net profits of termination operation	—	—	—	—	—	—
Other comprehen sive income	—	—	—	—	—	1,033,575.71

Item	Closing balance/Reporting Period			Opening balance/ same period of last year		
	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Enraytek Optoelectronics Co., Ltd.	Shanghai Konka Green Science & Technology Co., Ltd.
Total comprehensive income	10,615,545.45	-80,323,704.62	27,916,818.85	-13,867,162.43	-58,648,256.05	-20,390,904.23
Equity received from associated enterprises in Reporting Period	—	—	—	—	—	—

IX. The risk related financial instruments

IX. The risk related financial instruments

(I) Risk management objectives and policies

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors. Based on the risk management goal, the basic strategy of the Company's risk management is determine and analyze the various risks faced by the Company, set up the bottom line of risk and conducted appropriate risk management, and timely supervised various risks in a reliable way and controlled the risk within the range of limit.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. Foreign exchange risk refers to the risks that may lead to losses due to fluctuation in

exchange rate. The foreign exchange risk borne by the Company is related to USD, EURO and HKD, except the procurement and sales by US dollars for several subsidiaries such as the Company, Hong Kong Konka, American Konka, Konka Trading Europe Konka and Indonesia Konka which settled by USD, HKD and EURO for purchase and sale. Until 31 Dec. 2016 (refer to Note VI 56, foreign monetary items), foreign exchange risks may affect the business performance produced by the assets and liabilities of the balance.

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

(2) Interest rate risk- cash flow change risk

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

(3) Other price risk

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

2. Credit risk

On 31 Dec. 2016, the biggest credit risk exposure may lead to the financial assets losses of the Company was mainly from the one party fail to perform its obligation, which included:

Book amount recognized in consolidated balance sheet: for financial instruments measured at fair value, the book value reflect its risk exposure, but not the biggest one, the biggest risk exposure will change along with the change of future fair value.

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

management believed that have assume the credit risk the Company shouldered had been greatly reduced.

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

3. Liquidity Risk

When managing liquidity risk, the Company maintained the management'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.

X. The disclosure of the fair value

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

Item	Closing fair value			Total
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	
I. Consistent fair value measurement				
(I) Financial assets calculated by fair value and changes record into current profits or losses				
1. Transactional financial assets	212,190,150.00	—	—	212,190,150.00
2. Contractual gains on forward forex purchase	39,894,844.12	—	—	39,894,844.12
(II) Available-for-sale financial assets				
1. Debt instruments investment	—	—	—	—
2. Equity instrument investment	55,777,425.00	—	—	55,777,425.00
3. Other	—	—	—	—
Total assets of consistent fair value measurement	307,862,419.12	—	—	307,862,419.12
(I) Transactional financial liabilities				
1. Contractual losses on forward forex purchase	337,263.13	—	—	337,263.13
Total liabilities measured at fair value consistently	337,263.13	—	—	337,263.13

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
Total assets measured at fair value inconsistently	—	—	—	—
Total liabilities measured at fair value inconsistently	—	—	—	—

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

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

② As of the end of Reporting Period, the Company held 13.1550 million shares of Refond stock, and their fair value at the end of the year was determined to be RMB 212,190,150.00 according to closing price of RMB 16.13 for each share and held 6.7609 million shares of VARY and their fair value at the end of the year was determined to be RMB 55,777,425.00 according to closing price of RMB 8.25 for each share on 31 Dec. 2016.

XI. Related party and related Transaction

1. Information of parent company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Shenzhen OCT East Co., Ltd.	Shenzhen	Tourism, real estate, electronics industry	11.3billion	29.99	29.99

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

2. Information of subsidiary of the Company

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

3. Information on the joint ventures of the Company

See Note VIII 2: Rights and Interests in Joint Venture for our major joint ventures. Our transactions with affiliated party, and the introductions of other cooperative enterprise and associated enterprises with balance in these transactions in the earlier stage are as shown below:

Introduction of our associated enterprises

Name of cooperative enterprise or associated enterprise	Relationship with us
Shenzhen Konka Information Network Co., Ltd.	Associated enterprise
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Associated enterprise
Anhui Konka Green Lighting Technology Co., Ltd.	Associated enterprise
Shenzhen Zhongbing Konka Technology Co., Ltd.	Associated enterprise
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	Associated enterprise
Dongguan Konka Mould Plastic Co., Ltd.	Associated enterprise
Dongguan Xutongda Mould Plastic Co., Ltd.	Associated enterprise
Kunshan Jielunte Mould Plastic Co., Ltd.	Associated enterprise
Chuzhou Jielunte Mould Plastic Co., Ltd.	Associated enterprise
Dongguan Jielunte Mould Plastic Co., Ltd.	Associated enterprise
Anhui Jiasen Precision Technology Co., Ltd.	Associated enterprise

4. Information on other related parties of the Company

Name of other affiliated party	Relationship with us
Shenzhen OCT East Co., Ltd.	Same actual control party
Shanghai Tianxiang OCT Investment Co., Ltd.	Same actual control party
Anhui Huali Packing Co., Ltd.	Same actual control party
Shenzhen OCT Hydroelectric Co., Ltd.	Same actual control party
Shanghai Huali Packaging Co., Ltd.	Same actual control party
Shenzhen Huali Packing Trade Co., Ltd.	Same actual control party

Huali Packing (Huizhou) Co., Ltd.	Same actual control party
Suzhou Huali Environmental Protection Packaging Technology Co., Ltd.	Same actual control party
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Same actual control party
Taizhou OCT Co., Ltd.	Same actual control party
Shenzhen OCT Real Estate Co., Ltd.	Same actual control party
Shenzhen OCT Grand Hotel Co., Ltd.	Same actual control party
Shenzhen OCT Property Services Co., Ltd.	Same actual control party
Shenzhen Splendid China Development Co., Ltd.	Cooperative enterprise of parent company
Asset Management Branch of Shenzhen OCT Co., Ltd.	Same actual control party
Shenzhen OCT Hake Culture Co., Ltd.	Same actual control party
Shenzhen OCT Fire Installation Engineering Co., Ltd.	Same actual control party
Shenzhen OCT Hydroelectric Co., Ltd.	Same actual control party
Shenzhen OCT Xinqiao Technology Co., Ltd.	Same actual control party
Shenzhen OCT Gas Station Co., Ltd.	Same actual control party
Window of the World (Shenzhen) Co., Ltd.	Cooperative enterprise of parent company
Changrong Media Co., Ltd.	Shareholder of subsidiary
Guoguang Eastern Network (Beijing) Co., Ltd.	Shareholder of subsidiary
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	Shareholder of subsidiary
Chuzhou Tongchuang Construction Investment Co., Ltd.	Shareholder of subsidiary
China Unimem Limited	Shareholder holding company of subsidiary
Shenzhen Telen Science & Technology Co., Ltd.	Joint stock company of subsidiary
ChainKingdom Co., Limited	Shareholder holding company of subsidiary

5. List of related-party transactions

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

① Information on acquisition of goods and reception of labor service

Affiliated party	Affiliate transactions	Amount of this year	Amount of the last year
Shenzhen Refond Optoelectronics Co. Ltd.	Material purchase	127,562,591.69	95,272,151.31
Chuzhou Jielunte Mould Plastic Co., Ltd.	Material purchase	119,612,407.06	—
Guoguang Eastern Network (Beijing) Co., Ltd.	Goods purchase	62,535,296.91	—
Dongguan Konka Mould Plastic Co., Ltd.	Material purchase	40,158,154.04	—
Anhui Huali Packing Co., Ltd.	Packing material purchase	34,059,064.17	42,056,410.30
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	Material purchase	32,551,963.73	—
Shenzhen Konka Information Network Co., Ltd.	Material purchase/other	26,236,012.58	—
Huali Packing (Huizhou) Co., Ltd.	Material purchase	10,305,601.84	10,931,552.82
Anhui Jiasen Precision Technology Co., Ltd.	Material purchase	10,138,758.36	—
Suzhou Huali Environmental Protection Packaging Technology Co., Ltd.	Material purchase	7,182,917.07	—
Shanghai Huali Packaging Co., Ltd.	Material purchase	7,128,053.56	12,283,155.39
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	Commodity purchase	7,106,561.18	—
Shenzhen OCT Real Estate Co., Ltd.	Service fee of project	5,000,000.00	—
Shenzhen OCT Hydroelectric Co., Ltd.	Utilities	2,957,248.80	5,826,581.42
Kunshan Jielunte Mould Plastic Co., Ltd.	Material purchase	2,709,758.21	—
ChainKingdom Co., Limited	Service fee	1,839,168.52	—
Kunshan Branch of Shenzhen OCT Property Services Co., Ltd.	Property service fee	1,047,767.59	—
Changrong Media Co., Ltd.	Advertising fee	775,587.00	77,340,190.65
OCT Group Co., Ltd.	Material purchase	470,000.00	—
Shenzhen OCT Property Services Co., Ltd.	Material purchase	300,000.00	—
Dongguan Jielunte Mould Plastic Co., Ltd.	Material purchase	155,760.53	—
Shenzhen OCT East Property Management Co., Ltd.	Service charges	65,218.21	—

② Information of sales of goods and provision of labor service

Affiliated party	Affiliate transactions	Amount of this year	Amount of the last year
------------------	------------------------	---------------------	-------------------------

Affiliated party	Affiliate transactions	Amount of this year	Amount of the last year
Guoguang Eastern Network (Beijing) Co., Ltd.	Commodity sales	C	
Shenzhen Refond Optoelectronics Co. Ltd.	Commodity sales	31,210,383.27	23,298,317.21
Dongguan Konka Mould Plastic Co., Ltd.	Rental service fee, Material sales	11,634,559.42	—
Changrong Media Co., Ltd.	Advertising fee	11,320,754.76	62,111,300.23
Shenzhen Zhongbing Konka Technology Co., Ltd.	Service charges and commodity sales	10,612,812.99	—
Shenzhen Konka Information Network Co., Ltd.	Commodity sales	11,057,874.12	—
Dongguan Xutongda Mould Plastic Co., Ltd.	Rental service fee	7,870,164.19	—
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	Service fee, commodity sales	6,331,604.53	—
Anhui Konka Green Lighting Technology Co., Ltd.	Technical service fee, material sales	3,972,740.29	4,137,079.29
Chongqing OCT Industrial Development Co., Ltd.	Display screen sales	2,325,328.21	—
Shenzhen OCT East Co., Ltd.	Maintenance service	1,029,514.56	—
Beijing Century OCT Industrial Development Co., Ltd.	Display screen sales	948,717.95	—
Window of the World (Changsha) Co., Ltd.	Display screen sales	377,606.84	—
Shunde Century OCT Industrial Development Co., Ltd.	Display screen sales	305,665.81	—
Shenzhen OCT Real Estate Co., Ltd.	Display screen sales	300,256.41	—
Chuzhou Jielunte Mould Plastic Co., Ltd.	Maintenance service	294,290.63	—
Shenzhen OCT Urban Entertainment Investment Co., Ltd.	Maintenance service	282,200.68	—
Shenzhen OCT East Co., Ltd.	Maintenance service	256,410.26	—
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Maintenance service	206,192.16	—
Happy Valley Branch of Tianjin OCT Industrial Co., Ltd.	Maintenance service	167,475.73	—
Shanghai Tianxiang OCT Investment Co., Ltd.	Maintenance service	153,721.68	—
Shenzhen OCT Grand Hotel Co., Ltd.	Maintenance service	106,796.12	—
Shenzhen OCT Culture, Tourism & Technology Co., Ltd.	Maintenance service	100,948.71	—
Shenzhen OCT Capital Investment & Management Co., Ltd.	Commodity sales	73,076.92	—
Wuhan Branch of Shenzhen OCT Hake Culture Co., Ltd.	Commodity sales	56,365.06	—

Affiliated party	Affiliate transactions	Amount of this year	Amount of the last year
Shenzhen Splendid China Development Co., Ltd.	Display screen sales	24,271.84	—
Shenzhen Venice Hotel	Display screen sales	21,794.87	—
Shenzhen OCT Sea View Hotel Co., Ltd.	Maintenance service	21,359.22	—
Chuzhou branch of Shenzhen Konka Precision Mould Manufactory Co., Ltd.	Display screen sales	10,148.00	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	Maintenance service	7,604.75	—
Shenzhen OCT Property Services Co., Ltd.	Maintenance service	4,700.85	—
Taizhou OCT Co., Ltd.	Display screen sales	4,273.50	—
Anhui Jiasen Precision Technology Co., Ltd.	Maintenance service	3,584.91	—
Chengdu Tianfu OCT Industrial Development Co., Ltd.	Maintenance service	—	376,068.38

(2) Related-party guarantee

① The Company was guarantor:

Lessor	Type of leasing asset	Rental fee confirmed in this year	Rental fee confirmed in last year
Asset Management Branch of Shenzhen OCT Co., Ltd.	Office building	589,831.55	339,822.00
Shenzhen OCT Real Estate Co., Ltd.	Commercial residential building	455,520.00	213,468.00

(3) Rewards for the key management personnel

Affiliated party	Lending amount	Starting date	Expiry date	Notes
Borrowing				
OCT Group Co., Ltd.	1,600,000,000.00	2016-4-15	2017-1-10	Interest rate: 3.1%.
OCT Group Co., Ltd.	900,000,000.00	2016-6-21	2017-3-18	Interest rate: 3.18%.
OCT Group Co., Ltd.	900,000,000.00	2016-10-17	2017-7-14	Interest rate: 3.06%.

Affiliated party	Lending amount	Starting date	Expiry date	Notes
OCT Group Co., Ltd.	30,000,000.00	2016-12-14	2019-12-13	Interest rate: 4.75%.

Note: ①The interest confirmed with OCT Group Co., Ltd. is RMB 57,269,249.98 this year.

(4). Affiliated guarantee

We are the guarantee herein.

Secured party	Currency	Amount guaranteed (RMB 10,000)	Actual amount (RMB 10,000)	Starting date	Expiry date	The guarantee completed?
Anhui Tongchuang International Trade Co., Ltd.	RMB	2,000.00	1,300.00	2016-6-5	2017-6-5	No
Anhui Tongchuang International Trade Co., Ltd.	RMB	6,000.00	2,400.00	2016-7-1	2017-7-1	No
Anhui Konka Electronics Co., Ltd. (Note ②)	RMB	10,000.00	647.54	2016-10-26	2017-7-13	No
Konka E-Display Co., Ltd. (Note ③)	RMB	2,000.00	153.72	2016-7-1	2017-7-1	No
Communication Technology Co., Ltd.	RMB	50,000.00	18,453.42	2016-9-21	2017-9-21	No
Hong Kong Konka Co., Ltd.	USD	500.00	500.00	2016-10-20	2017-10-20	No
Hong Kong Konka Co., Ltd.	USD	3,500.00	3,500.00	2016-11-7	2017-11-7	No

Notes:

① The minority shareholders of Anhui Tongchuang, Chuzhou State-owned Assets Operation Co., Ltd. provided 22% counter-guarantee to the limit amount of guarantee of the Company.

② Shenzhen E-display Capital Investment Partnership Business (LLP) provided 40% counter-guarantee to the limit amount of guarantee of the Company.

③ The subsidiary Hong Kong Konka Co., Ltd. provides the counter guarantee of building property mortgage (USD 40million) to the subsidiary ChainKingdom Co., Limited.

④ The counter guarantee of Zhongkang Supply Chain Management Co., Ltd. expires when all debts of Zhongkang Supply Chain Management Co., Ltd. are taken as the building property mortgage of Hong Kong Konka Co., Ltd. or the third party is specified to take

charge of the building property mortgage guarantee and handle the registration procedures.

6. Accounts receivable & accounts payable of affiliated party

(1). Accounts receivable

Item	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable:				
Guoguang Eastern Network (Beijing) Co., Ltd.	61,566,084.52	1,231,321.69	—	—
Shenzhen Konka Information Network Co., Ltd.	22,708,250.40	456,890.30	—	—
Dongguan Xutongda Mould Plastic Co., Ltd.	16,770,384.94	665,277.05	—	—
Shenzhen Refond Optoelectronics Co. Ltd.	16,006,373.88	320,127.48	12,116,064.48	242,321.29
Shanghai Konka Green Lighting Technology Co., Ltd.	7,463,614.12	1,627,495.78	10,963,614.12	548,180.71
Shenzhen Zhongbing Konka Technology Co., Ltd.	6,236,403.32	124,728.07	—	—
Dongguan Konka Mould Plastic Co., Ltd.	4,376,574.40	179,174.65	—	—
Chongqing OCT Industrial Development Co., Ltd.	546,416.80	10,928.34	—	—
OCT Group Co., Ltd.	378,450.00	18,922.50	—	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	287,956.74	5,759.13	—	—
Beijing Century OCT Industrial Development Co., Ltd.	270,000.00	5,400.00	—	—
Window of the World (Changsha) Co., Ltd.	132,540.00	2,650.80	—	—
Shanghai Tianxiang OCT Investment Co., Ltd.	89,733.33	1,794.67	—	—
Shunde Century OCT Industrial Development Co., Ltd.	74,880.00	1,497.60	—	—
Shenzhen OCT Hake Culture Co., Ltd.	51,983.78	1,039.68	—	—
Shenzhen Splendid China Development Co., Ltd.	36,442.50	728.85	—	—
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	35,980.00	719.60	—	—

Item	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Shenzhen OCT International Hotel Management Co., Ltd.	25,500.00	510.00	—	—
Window of the World (Shenzhen) Co., Ltd.	13,500.00	270.00	—	—
Shenzhen OCT East Co., Ltd.	6,000.00	120.00	150,000.00	3,000.00
Wuhan Branch of Shenzhen OCT Hake Culture Co., Ltd.	3,297.39	65.95	—	—
Changrong Media Co., Ltd.	—	—	775,587.00	15,511.74
Total	138,179,908.35	4,831,752.86	24,005,265.60	809,013.74
Notes receivable				
Dongguan Konka Mould Plastic Co., Ltd.	2,473,998.29	—	—	—
Dongguan Xutongda Mould Plastic Co., Ltd.	800,000.00	—	—	—
Total	3,273,998.29	—	—	—
Other accounts receivable				
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	8,387,197.52	18,115,952.51	5,366,657.87
Chongqing Konka Automotive Electronics Co., Ltd.	13,396,856.82	13,396,856.82	13,396,856.82	13,396,856.82
Shenzhen OCT Real Estate Co., Ltd.	1,053,706.86	1,033,907.60	1,053,706.86	1,033,282.36
Shenzhen OCT Hydroelectric Co., Ltd.	711,006.26	14,220.13	1,198,932.32	23,978.65
Chengdu Tianfu OCT Industrial Development Co., Ltd.	—	—	440,000.00	8,800.00
Asset Management Branch of Shenzhen OCT Co., Ltd.	145,638.00	7,281.90	—	—
Chongqing OCT Industrial Development Co., Ltd.	130,540.69	2,610.81		
Shenzhen OCT Gas Station Co., Ltd.	80,000.00	80,000.00	80,000.00	80,000.00
Shenzhen OCT Property Management Co., Ltd.	77,402.65	74,929.10	6,491,248.10	203,206.00
Beijing Century OCT Industrial Development Co., Ltd.	50,000.00	1,000.00	—	—
Theme Hotel Group of Shenzhen OCT	49,640.00	992.8	—	—

Item	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
East				
OCT Group Co., Ltd.	49,626.92	992.54	—	—
Anhui Konka Green Lighting Technology Co., Ltd.	48,670.70	973.41	—	—
Shenzhen Konka Information Network Co., Ltd.	17,940.73	358.81	—	—
Shenzhen OCT East Co., Ltd.	5,000.00	100	—	—
Dongguan Konka Mould Plastic Co., Ltd.	4,448.00	889.6	—	—
Shenzhen OCT East Property Management Co., Ltd.	3,000.00	60	—	—
Shanghai Tianxiang OCT Investment Co., Ltd.	922.33	18.45	—	—
Total	57,269,249.98	23,002,389.49	40,776,696.61	20,112,781.70

(2) Accounts payable

Item	Closing balance	Opening balance
Accounts payable		
Shenzhen Refond Optoelectronics Co. Ltd.	26,269,575.11	3,309,766.50
Chuzhou Jielunte Mould Plastic Co., Ltd.	25,145,921.64	—
Anhui Huali Packing Co., Ltd.	16,125,245.93	4,160,761.50
Guoguang Eastern Network (Beijing) Co., Ltd.	13,907,425.83	—
Shenzhen Shangyongtong Investment Development Co., Ltd.	9,543,100.00	—
Shenzhen Konka Information Network Co., Ltd.	9,238,833.80	—
Huali Packing (Huizhou) Co., Ltd.	3,538,318.14	1,747,011.10
Suzhou Huali Environmental Protection Packaging Technology Co., Ltd.	2,375,770.85	—
Anhui Jiasen Precision Technology Co., Ltd.	1,708,908.69	—
Shenzhen Huali Packing Trade Co., Ltd.	1,294,334.74	1,078,005.09
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	1,262,017.84	20,412,650.58
Dongguan Konka Mould Plastic Co., Ltd.	1,017,067.85	—
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	829,927.13	—

Item	Closing balance	Opening balance
Shenzhen Precision Mould Manufactory Co., Ltd.	449,367.83	—
Shenzhen Dekang Electronics Co., Ltd.	358,929.03	358,929.03
Shanghai Huali Packaging Co., Ltd.	321,039.97	2,634,241.04
Dongguan Jielunte Mould Plastic Co., Ltd.	155,760.53	—
Shenzhen OCT Xinqiao Technology Co., Ltd.	64,824.87	—
Kunshan Jielunte Mould Plastic Co., Ltd.	61,472.60	—
Shenzhen OCT Culture, Tourism & Technology Co., Ltd.	59,320.00	—
Total	113,727,162.38	33,701,364.84
Notes payable		
Anhui Huali Packing Co., Ltd.	12,369,348.43	5,150,030.89
Suzhou Huali Environmental Protection Packaging Technology Co., Ltd.	3,152,101.04	—
Huali Packing (Huizhou) Co., Ltd.	3,104,985.16	988,662.81
Shanghai Huali Packaging Co., Ltd.	2,801,506.81	3,126,818.21
Kunshan Jielunte Mould Plastic Co., Ltd.	2,594,086.07	—
Shenzhen Ruifeng Photoionization Co., Ltd.	1,193,729.59	12,997,249.74
Zhuhai Jinsu Plastic Co., Ltd.	1,000,000.00	186,000.04
Shenzhen OCT Xinqiao Technology Co., Ltd.	925,929.70	—
Total	27,141,686.80	22,448,761.69
Advances received		
Dongguan Konka Mould Plastic Co., Ltd.	23,468,903.76	—
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	15,642,089.07	—
Kangdian Digital Network (Shenzhen) Co., Ltd.	2,730,000.00	—
China Unimem Limited	232,667.70	—
Theme Hotel Group of Shenzhen OCT East	187,888.00	—
Shenzhen OCT Sea View Hotel Co., Ltd.	35,299.00	—
Anhui Konka Green Lighting Technology Co., Ltd.	4,063.72	—
Changrong Media Co., Ltd.	—	126,000.00
Total	42,300,911.25	126,000.00
Other accounts payable		
Anhui Huali Packing Co., Ltd.	1,187,000.00	258,000.00
Shenzhen OCT Property Services Co., Ltd.	1,073,975.09	—

Item	Closing balance	Opening balance
Chongqing Konka Automotive Electronics Co., Ltd.	1,070,875.91	—
ChainKingdom Co., Limited	992,890.82	—
Shenzhen Ruifeng Photoelectricity Co., Ltd.	807,135.00	51,135.00
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	686,375.00	—
Shanghai Huali Packaging Co., Ltd.	222,000.00	652,000.00
Shenzhen OCT Hydroelectric Co., Ltd.	145,500.00	—
Shenzhen OCT Economic Development Corporation	105,000.00	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	19,440.00	—
Shenzhen Telen Science & Technology Co., Ltd.	10,000.00	—
Total	6,320,191.82	961,135.00
Interests payable		
OCT Group Co., Ltd.	43,541.67	—
Total	43,541.67	—

XII. Commitments and contingency

1. Significant commitments

(1) Capital commitment

Item	Closing balance	Opening balance
Commitments signed but hasn't been recognized in financial statements		
-- Commitment for constructing and purchasing long-term assets	—	—
- Contract with large amount	91,710,250.89	184,797,300.59
- Foreign investment commitments	—	—
Total	91,710,250.89	184,797,300.59

(2) Operating lease commitments

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

Item	Closing balance	Opening balance
------	-----------------	-----------------

Minimum lease payments of irrevocable operating lease		
1 year after balance date	20,712,196.63	20,414,436.47
2 year after balance date	10,195,499.08	10,962,573.65
3 year after balance date	5,192,714.87	5,382,286.87
Future years	1,434,105.28	4,007,824.20
Total	37,534,515.86	40,767,121.19

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.

Kunshan Konka entrusted Shanghai Jiajia Law firm to file a suit from Shanghai Maritime Court, requested Ningbo United and Econolines compensate for the loss of payment for goods USD1,099,423.52 and its interest; meanwhile bear the fees for acceptance and

property preservation application fee on 15 Aug. 2013. On 26 May 2014, Shanghai Maritime Court made the first-instance judgment, which ordered Ningbo United and Econolines compensate for the loss of payment for goods USD1,099,423.52 and its interest, and bear the fees for acceptance and property preservation application fee. In Jun. 2014 Ningbo United appealed to the Shanghai Higher People's Court against its sentence. On 24 Nov. 2014, the second trial had been made. During the second trial, the Kunshan Konka indicated that as of 31 May 2015, the company had received EUR100000 payment from the overseas receivers which would be deducted from the payment of goods of United and Econolines. Kunshan Konka were willing to give up the interest part of EUR100000 discounted by bank rate on the date of the second trial basing on USD1,099,423.52 in the first trial. On 16 Jul. 2015, Shanghai Higher People's Court made the second-instance judgment, which ordered Econolines compensate for the loss of payment for goods USD990,253.50 (discounted by the middle of the euro against the dollar exchange rate of People's Bank of China on 16 Jul. 2015) and bear the fees for acceptance, United bear the joint liability. In the execution stage, Kunshan Konka Electronic Co., Ltd. receives the execution funds of RMB 592,200 (USD 17,475) of Ningbo United Group Co., Ltd. required by Ningbo Marine Court. The credit receivable of Kunshan Konka Electronic Co., Ltd. shall be USD 855,378.57 by Dec. 31, 2016. This case is under compulsory execution.

② Konka (Nanchang) Co., Ltd. applies for property preservation of Tengda Electric Appliance Co., Ltd. due to the contract disputes in 2015. Nanchang Intermediate People's Court decides to freeze the bank deposit of RMB 9,918,725.43 of Tengda Electric Appliance Co., Ltd. and close down its 5 house properties. In the follow-up stage, we change the add-on interest of the original sue amount to RMB 595,123.50 based on the actual conditions, which is accepted by the court. However, Tengda Electric Appliance Co., Ltd. is unsatisfied with the judgment result and appeals to Jiangxi Superior People's Court. The court hears, judges the case and affirms the original judgment on Feb. 29, 2016. Konka (Nanchang) Co., Ltd. shall be entitled to collect the credit of RMB 8,223,935.99 from Tengda Electric Appliance Co., Ltd. by Dec. 31, 2016.

Konka (Nanchang) Co., Ltd. has received the notice that Xinyu Intermediate Court accepts and hears the bankruptcy liquidation case of Tengda Electric Appliance Co., Ltd. and designated the management personnel to take charge of its bankruptcy liquidation on Mar. 1, 2016. The branch receives the notice that the court suspends to hear the case, and submits the creditor's rights declaring information to the management personnel. Tengda Electric Appliance Co., Ltd. is under the bankruptcy liquidation.

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

① The company sign the guarantee contract (No. 0133-CZZHZGBZ2016) with Urban Branch of Chuzhou Wandong Rural Commercial Bank on 5 Jun. 2016, providing credit guarantee of RMB 20 million to Anhui Tongchuang International Trade Co., Ltd. from 5 Jun. 2016 to 5 Jun. 2017. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has reached RMB 10,500,000.00 by 31 Dec. 2016. The minority shareholder of Anhui Tongchuang International Trade Co., Ltd. --- Chuzhou Tongchuang Investment Construction Co., Ltd. provides 50% of counter guarantee to the amount.

② The company sign the guarantee contract (No. 16czA0030-a-XCYZBZD2016) with Chuzhou Branch of China Citic Bank on 1 Jul. 2016, providing credit guarantee of RMB 60 million to Anhui Tongchuang International Trade Co., Ltd. from 1 Jul. 2016 to 1 Jul. 2017. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has reached RMB 24,000,000.00 by 31 Dec. 2016. The minority shareholder of Anhui Tongchuang International Trade Co., Ltd. --- Chuzhou Tongchuang Investment Construction Co., Ltd. provides 50% of counter guarantee to the amount.

③ The company sign the guarantee contract with Chuzhou Branch of Bank of China on 26 Oct. 2016, providing credit guarantee of RMB 0.1 billion to Anhui Tongchuang International Trade Co., Ltd. from 26 Oct. 2016 to 13 Jul. 2017. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has reached RMB 52,965,000.00 by 31 Dec. 2016. The minority shareholder of Anhui Tongchuang International Trade Co., Ltd. --- Chuzhou State-owned Assets Operation Co., Ltd. provides 22% of counter guarantee to the amount.

④ The company apply for the general credit limit of RMB 6 billion from Futian Branch of Bank of China on 21 Sept. 2016 by taking the bank acceptance of RMB 1.3 billion as the pledge guarantee. We provide the general credit limit of RMB 0.5 billion to Communication Technology Co., Ltd. on 21 Sept. 2016, and this company shall bear the related liability for satisfaction. The guarantee period is 21 Sept. 2016 to 21 Sept. 2017, and the amount is used by the company to obtain the financing credit and other daily operation businesses from the

bank. The amount has reached RMB 184,534,227.73 by 31 Dec. 2016.

⑤ The company apply to Shenzhen Branch of China Minsheng Banking Corp . Ltd. for issuing the letter of guarantee of USD 5 million on 20 Oct. 2016 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is 20 Oct. 2016 to 20 Oct. 2017. Hong Kong Konka Co., Ltd. has obtained the short-term loan of USD 5 million from Bank of China (Hong Kong) Co., Ltd. by Dec. 31, 2016.

⑥ The company sign the guarantee contract (No. 07308BY20168072) with Longhua Sub-branch of Shenzhen Branch of Bank of Ningbo on Jul. 1, 2016, providing credit guarantee of RMB 20 million to Konka Yishijie Co., Ltd. from Jul. 1, 2016 to Jul. 1, 2017. The credit line is mainly used to open and accept the letter of credit of Konka Yishijie Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has reached RMB 1,537,231.19 by Dec. 31, 2016. The minority shareholder of Konka Yishijie Co., Ltd. -- Shenzhen Konka Yiziben Investment Partnership Co., Ltd. provides 40% of counter guarantee to the amount.

⑦ The Company apply to Shenzhen Branch of China Minsheng Banking Corp . Ltd. for issuing the letter of guarantee of USD 35 million on Nov. 7, 2016 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is Nov. 7, 2016 ~ Nov. 7, 2017. Hong Kong Konka Co., Ltd. has obtained the short-term loan of USD 35 million from Bank of China (Hong Kong) Co., Ltd. by 31 Dec. 2016.

XIV. Events after balance sheet date

1. Profit distribution

On 29 Mar. 2017, the Company held 28th Meeting of the 8th Board of Directors; the meeting reviewed and approved the proposal of not implementing the allocation of profits.

(2) Significant related-party transactions

Our board of directors holds 25th meeting of 8th board of directors on Feb. 16, 2017 (Thursday), and passes Bill on Providing Entrusted Loan to VARY Tech. We are intended to provide Hunan VARY Tech Co., Ltd. (hereinafter referred to as “VARY Tech”) with the entrusted loan of no more than RMB 50 million. The corresponding rate shall be 15% higher than 1-year benchmark interest rate for loan (RMB) of the current financial institutions released by People's Bank of China. The entrusted loan is mainly used in the daily operation of VARY Tech.

3. Bill on establishing new factory in Dongguan City

The board of directors holds 26th meeting of 8th board of directors on Mar. 10, 2017 (Friday)

and passes *Bill on Establishing New Factory in Dongguan City*. We are intended to promote the three old transformations of Dongguan Konka Plant, and self-raise RMB 0.8 billion to establish new factory (including color TV R&D building, main production plant, logistics and distribution warehouse and matched staff quarters) in Wulian Village, Fenggang Town, Dongguan City by taking our company (or wholly-owned subsidiary) for the R&D, production and sales of color TV and other electronic products under the negotiation with Dongguan Municipal Government.

XV. 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, 14, (4)

(2) Minimum lease payment will be paid in future

The remaining lease term	The minimum lease payment
Within 1 year (including 1 year)	41, 025. 60
Over 1 year and within 2 years (including 2 year)	102, 564. 14
Total	143, 589. 74

(3) Item of fixed assets leased by operating lease, please refer to note VI, 13 (4)

2. Our subsidiary Mudanjiang Konka Co., Ltd. is under liquidation.

3. Our subsidiary Chongqing Qingjia Electronic Co., Ltd. is under liquidation.

4. In order to meet the requirements of our current business development and reduce the financing cost, we hold 12th meeting of 8th board of directors on Mar. 2, 2016, pass Bill on Applying OCT Group Co., Ltd. for entrusted loan amount, and agree the company to apply OCT Group Co., Ltd. for the entrusted loan of no more than RMB 5 billion in 2016. The loan shall be extracted on the frequency and time frame basis of business needs in use. We shall be entitled to sign the entrusted loan contract (limit of no more than RMB 5 billion) with the bank and OCT Group Co., Ltd. According to the requirements of the bill, the interest rate of entrusted loan shall be no more than the benchmark interest rate for loan in the same period of People's Bank of China. In such transaction, we shall pay OCT Group Co., Ltd. with the interest of no more than RMB 0.2 billion, and will carefully determine the actual loan limit based on the actual fund demand after reasonably measuring the capital cost.

5. We hold 18th meeting of 8th board of directors on Jun. 15, 2016, decide to invest RMB 1.05

million (share: 35%) and establish the joint venture with Union Voole Technology Co., Ltd. Konka Group Co., Ltd. (investment: RMB 1.95 million, share: 65%). The joint venture has not been established by the date of issuing the financial statement.

6. Considering the needs of development strategy, our board of directors holds 24th meeting of 8th board of director on Dec. 29, 2016 (Thursday) after the sufficient investigation and argument, passes *Bill on Investing and Establishing Konka Scientific Innovation Center in Chuzhou City*, plans to establish the wholly-owned subsidiary --- Chuzhou Konka Scientific Industry Development Co., Ltd., self-raise RMB 0.45 billion to invest and establish Konka Scientific Innovation Center (including R&D technology building, e-commerce and transaction exhibition and experience center and matched commercial facilities) in Chuzhou Economic Development Zone for developing and researching e-commerce platform and other businesses.

7. We and Wenjin Sub-branch of Shenzhen Branch of Shanghai Pudong Development Bank Co., Ltd. apply for the credit line of no more than RMB 0.5 billion under the agreement in May 2016. The credit line expires in May 2017. The comprehensive credit line has not been used by Dec. 31, 2016.

8. We and Shenzhen Civic Center Branch of China Citic Bank sign *Comprehensive Credit Line Contract* (No. 0005-SYQHZZ2015) on May 28, 2015, with the credit line of RMB 0.4 billion. The businesses cover loan, bill bearing, bill discounting, LC issuing, packing credit, import documentary credit, export documentary credit and letter of undertaking issuing. The credit period is May 28, 2015 ~ Apr. 15, 2017. The comprehensive credit line has not been used by Dec. 31, 2016.

9. We sign *Credit Line Contract* (No. J2016Z15608HQC) with Shenzhen Branch of China Construction Bank Corporation on Jun. 14, 2016. The total amount of credit line specified in the contract shall be no more than RMB 3.57 billion and the period Jun.14, 2016 ~ Jun.13, 2019. RMB 642,586,588.97 has been used, and RMB 4,927,413,411.03 has not by Dec. 31, 2016. In addition, we apply Shenzhen Branch of CCB for the low risk credit line of no more than RMB 2 billion. This credit line has not been used by Dec. 31, 2016.

10. We sign *Comprehensive Credit Line Contract* (No.018-2016NSJTZEZ) with China Minsheng Banking Corp., Ltd. on Aug. 11, 2016, and apply for the credit amount of no more than RMB 0.5 billion. The businesses cover RMB business, trade financing business, import & export documentary credit, import paying service, delivery guarantee and packing loan. As the debtor and the bearer of bill, Party A provides bill discount (pledge) service to Party B. The duration of contract shall be Aug. 11, 2016 ~ Aug. 11, 2017. RMB 268,000,000.00 has

been used and RMB 232,000,000.00 has not by Dec. 31, 2016.

11. We sign *Comprehensive Credit Line Contract* (No. CN11002068781-160823) with Shenzhen Branch of HSBC Bank (China) Company Limited on Sep. 12, 2016 and apply for the non-affirmatory combined revolving credit of no more than USD 150,000 million (deadline: Sep. 12, 2017). The credit amount has not been used by Dec. 31, 2016.

12. We sign *Credit Line Agreement* (No. 0000719-2016ZZYFEX) with Futian Sub-branch of Shenzhen Branch of Bank of China. We and Konka Communication Science and Technology Co., Ltd. will provide the pledge guarantee for obtaining the comprehensive credit line of no more than RMB 6 billion by means of the bank acceptance of no less than RMB 1.3 billion. We are the credit grantee, Konka Communication Science and Technology Co., Ltd. the withdrawer, and the credit expires on Sep. 21, 2017. RMB 2,278,642,350.78 has been used and RMB 3,721,357,649.22 has not by Dec. 31, 2016.

13. We apply for the credit line of no more than RMB 2.2 billion under the negotiation with Shenzhen OCT Branch of Industrial and Commercial Bank of China on Sep. 30, 2016. The credit expires on Sep. 30, 2017. RMB 2,038,477,300.00 has been used and RMB 161,522,700.00 has not by Dec. 31, 2016.

14. We sign *Credit Line Agreement* (No. A596201609260001-PY(SZ)ZZ) with Sales Dept. of Head Office of Ping An Bank Co., Ltd. on Oct. 12, 2016, and apply for the credit line of no more than RMB 0.4 billion. The businesses cover working capital loans, bank acceptance issuing, import credit issuing, domestic letter of credit issuing, import & export documentary credit, import & export paying service and financing letter of guarantee issuing. The credit expires on Oct. 12, 2017. The comprehensive credit line has not been used by Dec. 31, 2016.

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

1. Accounts receivable

(1) Accounts receivable classified by Item

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

Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	1,457,500,829.10	43.04	204,973,829.53	14.06	1,252,526,999.57
Group 2: related party group	1,859,065,149.92	54.89	—	—	1,859,065,149.92
Subtotal of groups	3,316,565,979.02	97.93	204,973,829.53	6.18	3,111,592,149.49
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	70,065,431.01	2.07	36,128,381.15	51.56	33,937,049.86
Total	3,386,631,410.03	100.00	241,102,210.68	7.12	3,145,529,199.35

(Continued)

Item	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	1,126,362,276.00	68.50	202,746,563.72	18.00	923,615,712.28
Group 2: related party group	486,174,280.87	29.56	—	—	486,174,280.87
Subtotal of groups	1,612,536,556.87	98.06	202,746,563.72	12.57	1,409,789,993.15
Accounts receivable with insignificant single amount for which bad debt provision	31,826,201.74	1.94	23,700,918.33	74.47	8,125,283.41

separately accrued					
Total	1,644,362,758.61	100.00	226,447,482.05	13.77	1,417,915,276.56

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

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	1,272,579,360.67	25,451,587.21	2.00%
1 to 2 years	263,411.99	13,170.60	5.00%
2 to 3 years	5,554,748.69	1,110,949.74	20.00%
3 to 4 years	726,749.50	363,374.75	50.00%
4 to 5 years	683,622.04	341,811.02	50.00%
Over 5 years	177,692,936.21	177,692,936.21	100.00%
Total	1,457,500,829.10	204,973,829.53	

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

Name of the group	Balance at year- end		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	1, 859, 065, 149. 92	—	—
Total	1, 859, 065, 149. 92	—	—

③ Accounts receivable with insignificant single amount for which bad debt provision separately accrued

Name of customer	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Customer 1	18,320,000.00	5,496,000.00	30.00%	Objective evidence shows that the amount decreases by 30%
Customer 2	8,223,935.99	4,111,968.00	50.00%	Involved in lawsuit
Customer 3	8,687,907.70	3,040,767.70	35.00%	35% of recycle fee shall be paid.
Customer 4	2,134,966.00	683,189.12	32.00%	32% of recycle fee shall be paid.

Customer 5	2,050,248.88	2,050,248.88	100.00%	Involved in lawsuit
Total	39,417,058.57	15,382,173.70	—	—

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

Bad debt reserve of RMB 14,654,728.63 is accrued this year, and there was no provision for bad debts withdrawing or reversing.

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

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 1,195,773,194.39, 35.31% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB 15,000,078.77.

2. Other accounts receivable

(1) Other account receivable classified by Item

Item	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	173,061,959.33	9.04	163,333,204.34	94.38	9,728,754.99
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	126,005,125.10	6.58	22,703,322.23	18.02	103,301,802.87
Group 2: related party group	1,607,493,721.89	84.00	—	—	1,607,493,721.89
Subtotal of groups	1,733,498,846.99	90.59	22,703,322.23	1.31	1,710,795,524.76
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	7,101,401.90	0.37	2,131,520.57	30.02	4,969,881.33

Total	1, 913, 662, 208. 22	100. 00	188, 168, 047. 14	9. 83	1, 725, 494, 161. 08
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(Continued)

Item	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	173,028,147.62	15.48	160,278,852.98	92.63	12,749,294.64
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	—	—	—	—	—
Group 1: aging group	75,906,726.27	6.79	19,005,412.74	25.04	56,901,313.53
Group 2: related party group	868,797,189.91	77.73	—	—	868,797,189.91
Subtotal of groups	944,703,916.18	84.52	19,005,412.74	2.01	925,698,503.44
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	—	—	—	—	—
Total	1,117,732,063.80	100.00	179,284,265.72	16.04	938,447,798.08

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

Other accounts receivable (unit)	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason

Energy saving subsidy	141,549,150.00	141,549,150.00	100.00%	Irrecoverable due to policy changes
Chongqing Konka Auto Electronic Company	13,396,856.82	13,396,856.82	100.00%	Mandatory liquidation
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	8,387,197.52	46.30%	Assessment impairment
Total	173,061,959.33	163,333,204.34	—	

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	63,357,765.50	1,267,155.31	2.00%
1 to 2 years	24,801,592.53	1,240,079.63	5.00%
2 to 3 years	19,043,055.07	3,808,611.01	20.00%
3 to 4 years	645,459.21	322,729.60	50.00%
4 to 5 years	4,185,012.22	2,092,506.11	50.00%
Over 5 years	13,972,240.57	13,972,240.57	100.00%
Total	126,005,125.10	22,703,322.23	—

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

Name of the group	Balance at year- end		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Related party group	1,607,493,721.89	—	—
Total	1,607,493,721.89	—	—

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

Bad debt reserve of RMB 14,654,728.63 is accrued this year, and there was no provision for bad debts withdrawing or reversing.

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

Name of the entity	Nature	Closing balance	Aging	Proportion of the total Closing balance of the	Bad debt provision Closing balance
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				accounts receivable (%)	
Customer 1	Intercourse funds	385,607,911.07	Within 1 year, 1-2 years	20.15	—
Customer 2	Intercourse funds	342,272,133.15	Within 1 year	17.89	—
Customer 3	Intercourse funds	310,338,258.22	Within 1 year	16.22	—
Customer 4	Intercourse funds	154,462,602.42	Within 1 year year,1-2 years	8.07	—
Customer 5	Intercourse funds	141,549,150.00	2-3 years, 3-4 years	7.40	141,549150.00
Total	Energy subsidies	1,334,230,054.86		69.73	141,549150.00

3. Long-term equity investment

1. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	2,217,782,345.01	46,732,484.69	2,171,049,860.32	1,623,726,835.91	77,294,984.69	1,546,431,851.22
Investment to joint ventures	218,079,058.61	5,158,909.06	212,920,149.55	74,763,267.00	—	74,763,267.00
Total	2,435,861,403.62	51,891,393.75	2,383,970,009.87	1,698,490,102.91	77,294,984.69	1,621,195,118.22

(2) Investment to the subsidiary

Investee	Opening balance	Increased	Decreased	Closing balance	Withdrawn impairment provision	Closing balance of impairment provision	Investee
Mudangjiang electric appliances	36,000,000.00	—	—	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	—	—	—
Kunshan Konka	350,000,000.00	—	—	350,000,000.00	—	—	—
Plasthetics	4,655,000.00	—	—	4,655,000.00	—	—	—
Konka Household Appliances	10,732,485.69	—	—	10,732,485.69	10,732,484.69	—	10,732,484.69
Telecommunication	90,000,000.00	—	—	90,000,000.00	—	—	—

Investee	Opening balance	Increased	Decreased	Closing balance	Withdrawn impairment provision	Closing balance of impairment provision	Investee
Technology	00			00			
Konka America	8,062,500.0 0	—	8,062,500 .00	—	8,062,500 .00	-8,062,500 .00	—
Information Network	22,500,000. 00	—	22,500,00 0.00	—	22,500,00 0.00	-22,500,00 0.00	—
Shushida	31,500,000. 00	—	—	31,500,000. 00	—	—	—
Chongqing Electronic	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 Optoelectroni c	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	7,200,000.0 0	—	—	7,200,000.0 0	—	—	—
Kaikai Shijie	16,000,000. 00	—	—	16,000,000. 00	—	—	—
Kangqiao Jiacheng	112,000,000 .00	588,000,00 0.00	—	700,000,000 .00	—	—	—
Commercial Technology	2,916,000.0 0	2,916,000. 00	—	5,832,000.0 0	—	—	—
Mobile Internet	5,100,000.0 0	5,100,000. 00	—	10,200,000. 00	—	—	—
Yilifang	—	20,000,000 .00	—	20,000,000. 00	—	—	—
Dongguan Packing	—	8,602,009. 10	—	8,602,009.1 0	—	—	—

Investee	Opening balance	Increased	Decreased	Closing balance	Withdrawn impairment provision	Closing balance of impairment provision	Investee
Total	1,623,726,835.91	624,618,009.10	30,562,500.00	2,217,782,345.01	77,294,984.69	-30,562,500.00	46,732,484.69

(3) Investment to joint ventures

Investee	Opening balance	Increase/decrease in Reporting Period					Other equity changes
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other comprehensive income adjustment	
Shanghai Konka Green Science & Technology Co., Ltd.	68,250,273.03	—	—	—	14,924,158.22	-54,595.90	2,671,625.35
Zhuhai Jinsu Plastic Co., Ltd.	6,512,993.97	—	—	—	925,653.53	—	—
Shenzhen Konka Intelligent Electric Co., Ltd	—	—	6,000,000.00	—	213,908.63	—	—
Enraytek Optoelectronics Co., Ltd.	—	—	64,416,609.96	—	6,511,739.54	15,616,875.70	—
Shenzhen Zhongbing Konka Technology Co., Ltd	—	—	20,000,000.00	—	-835,308.22	—	—
Shenzhen Konka Information Network Co., Ltd	—	5,158,909.06	—	—	7,766,215.74	—	—
Total	74,763,267.00	5,158,909.06	90,416,609.96	—	29,506,367.44	15,562,279.80	2,671,625.35

(Continued)

Investee	Increase/decrease in Reporting Period			Closing balance	Closing balance of
	Declaration of cash	Withdrawn	Other		

	dividends or profits	impairment provision			impairment provision
Shanghai Konka Green Science & Technology Co., Ltd.	—	—	—	85,791,460.70	—
Zhuhai Jinsu Plastic Co., Ltd.	—	—	—	7,438,647.50	—
Shenzhen Konka Intelligent Electric Co., Ltd	—	—	—	6,213,908.63	—
Enraytek Optoelectronics Co., Ltd.	—	—	—	86,545,225.20	—
Shenzhen Zhongbing Konka Technology Co., Ltd	—	—	—	19,164,691.78	—
Shenzhen Konka Information Network Co., Ltd	—	5,158,909.06	—	12,925,124.80	5,158,909.06
Total	—	5,158,909.06	—	218,079,058.61	5,158,909.06

4. Revenue and Cost of Sales

1. Revenue and Cost of Sales

Item	Reporting Period		Last period	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	9,485,317,569.09	8,071,296,885.38	10,542,892,396.23	9,238,043,128.65
Other operations	4,486,773,135.24	4,265,519,555.16	5,256,503,986.27	5,218,903,962.41
Total	13,972,090,704.33	12,336,816,440.54	15,799,396,382.50	14,456,947,091.06

(2) Main operations (Classified by industry)

Industry	Reporting Period		Last period	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Electronic industry	9,485,317,569.09	8,071,296,885.38	10,542,892,396.23	9,238,043,128.65
Total	9,485,317,569.09	8,071,296,885.38	10,542,892,396.23	9,238,043,128.65

(3) Main operations (Classified by product)

Product	Reporting Period	Last period
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	Operation revenue	Operation cost	Operation revenue	Operation cost
Color TV business	9,094,696,771.30	7,721,798,476.74	10,063,529,629.38	8,800,695,399.60
White business	316,518,116.07	278,936,549.04	405,363,485.13	361,990,500.54
Other	74,102,681.72	70,561,859.60	73,999,281.72	75,357,228.51
Total	9,485,317,569.09	8,071,296,885.38	10,542,892,396.23	9,238,043,128.65

(4) Main operations (Classified by area)

Area	Reporting Period		Last period	
	Operation revenue	Operation cost	Operation revenue	Operation cost
Domestic sales	8,224,659,030.55	6,858,384,323.24	9,247,233,574.48	7,955,639,997.50
Overseas sales	1,260,658,538.54	1,212,912,562.14	1,295,658,821.75	1,282,403,131.15
Total	9,485,317,569.09	8,071,296,885.38	10,542,892,396.23	9,238,043,128.65

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

Period	Main operation revenue	Proportion of total business revenue (%)
Y 2016	3,056,753,554.52	21.88
Y 2015	3,735,430,268.71	23.64

5. Investment income

Item	Amount of this year	Amount of the last year
Investment income of long-term equity calculated with cost method	—	2,014,898.95
Investment income of long-term equity calculated with equity method	29,506,367.44	-4,991,699.40
Investment income incurred in long-term equity investment disposal	4,298,722.50	-491,110.76
Investment income of financial assets measured with fair value (changes included in current profit and loss) during holding period	—	—
Disposal of investment income of financial assets measured with fair value (changes included in current profit and loss)	21,166,497.78	—
Investment income of Held-to-maturity investment during holding period		

Item	Amount of this year	Amount of the last year
Investment income of financial assets available for sale during possession	1,310,000.00	2,212,535.21
Investment income from financial assets available for sale	6,970,146.58	13,215.02
Profits of residual equity re-calculated based on fair value after the control right is lost	—	—
Income incurred in entrusted financing and entrusted loans	83,732,849.00	61,705,984.23
Total	146,984,583.30	60,463,823.25

XVII. Supplementary materials

1. Items and amounts of extraordinary gains and losses

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	242,932,907.65	
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	113,350,808.96	
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	70,849,063.30	
Asset impairment provisions due to acts of God such as natural disasters	—	
Gains and losses from debt restructuring	—	
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.	—	
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices	—	
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date	—	
Profits or losses incurred from contingency of non-operating business.	—	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	17,953,552.28	
Reverse of bad debt provision of account receivable individually conducting impairment test	—	
Gain/loss on entrustment loans	707,777.79	

Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method	—	
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	—	
Custody fee income when entrusted with operation	—	
Other non-operating income and expenses other than the above	22,934,301.50	
Project confirmed with the definition of non-recurring gains and losses and losses	168,175.52	
Subtotal	468,896,587.00	
Income tax effects	78,609,375.35	
Minority interests effects (after tax)	11,153,834.38	
Total	379,133,377.27	

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

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

Item	The amount of leased assets involved	Reason
Software tax returns	121,451,535.04	Closely related to the normal operating business of the Company which met with the regulations of the state policies as well as constantly enjoyed the governmental subsidies according to certain standard quotas or quantities

2. Return on equity (ROE) and earnings per share (EPS)

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	3.35	0.0397	0.0397
Net profits attributed to the common shareholders after deducting the non-current gains and losses	-10.67	-0.1266	-0.1266

Section XII Documents Available for Reference

- I. Financial statements with the signatures and seals of the company principal, the principal of the accounting work and the principal of the accounting organ (financial manager);
- II. Original of the Auditor's Report with the seal 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 the CSRC in the Reporting Period and the originals of the public announcements.
- IV. Other relevant materials.

The Board of Directors

Konka Group Co., Ltd.

March 30, 2017