

# KONKA GROUP CO., LTD.

## THE THIRD QUARTERLY REPORT 2009

### § 1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior management of Konka Group Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report does not contain any false or misleading statements or omit any material facts and accept the individual and joint responsibilities for accuracy, correctness and completeness of the contents of this report.

1.2 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the accuracy, correctness, and completeness of the first quarterly report.

1.3 All directors attended the Board meeting.

1.4 The Financial Report of the third quarterly report has not been audited.

1.5 Mr. Hou Songrong, Chairman of the Board of the Company, Mr. Yang Guobin, Chief Financial Officer of the Company, and Mr. Ruan Renzong, person in charge of Accounting Organ hereby confirm that the Financial Report enclosed in the Quarterly Report is true and complete.

### § 2. Company Profile

#### 2.1 Main accounting data and financial indices

Unit: RMB Yuan

	30 Sep. 2009	31 Dec. 2008	Increase/decrease (%)	
Total assets (Yuan)	12,835,775,228.26	10,517,285,515.63	22.04	
Owners' equity attributable to shareholders of listed company (Yuan)	3,822,284,067.24	3,775,042,931.48	1.25	
Share capital (Share)	1,203,972,704.00	1,203,972,704.00	0.00	
Net assets per share attributable to shareholders of listed company (Yuan/share)	3.175	3.135	1.28	
	Jul.-Sep. 2009	Increase/decrease year-on-year (%)	Jan.-Sep. 2009	Increase/decrease year-on-year (%)
Operating revenue (Yuan)	3,853,977,811.36	13.15	9,025,977,839.56	-0.01
Net profit attributable to shareholders of listed company	26,344,833.39	-75.47	106,646,848.40	-43.25
Net cash arising from operating activities (Yuan)	-	-	-54,690,811.58	31.70
Net cash per share arising from operating activities (Yuan/share)	-	-	-0.045	31.70
Basic earnings per share (Yuan/share)	0.0219	-75.45	0.0886	-43.24
Diluted earnings per share (Yuan/share)	0.0219	-75.45	0.0886	-43.24
Return on equity (%)	0.69%	-2.21	2.79%	-2.28
Return on equity after deducting	0.37%	-2.56	2.33%	-2.80

non-recurring gains and losses (%)				
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### Items of non-recurring gains and losses

Unit: RMB Yuan

Items	Amount	Note
Gains and losses from disposal of non-current assets	1,783,231.43	
Governmental grants counted into the current profit and loss, except for the one closely related with the normal operation of the company and gained constantly at a fixed amount or quantity according to certain standard based on state policies	999,155.00	
Gains and loss from change in fair value by holding tradable financial assets and liabilities, and investment income from disposal of tradable financial assets and liabilities as well as salable financial assets, excluding the effective hedging businesses related with the normal operations of the company	12,533,172.11	
Other non-operating income and expenses besides the above items	6,398,086.94	
Amount affected on minority interest	-662,952.27	
Amount affected on income tax	-3,484,538.12	
<b>Total</b>	<b>17,566,155.09</b>	<b>-</b>

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders holding shares not subject to trading moratorium

Unit: Share

Total number of shareholders	110,017	
The top ten shareholders holding tradable shares not subject to trading moratorium		
Full name of shareholder	Numbers of shares not subject to moratorium held at the period-end	Type of shares
GAOLING FUND, L. P.	58,930,179	Domestically listed foreign shares
Overseas Chinese Town Group Company	30,372,843	Renminbi ordinary shares
HOLY TIME GROUP LIMITED	28,046,107	Domestically listed foreign shares
CNCA A/C COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD	27,999,774	Domestically listed foreign shares
CCB - Fortune SGAM Income Growth Hybrid Fund	14,459,649	Renminbi ordinary shares
NOMURA SECURITIES CO. LTD	13,500,000	Domestically listed foreign shares
NAM NGAI	12,107,600	Domestically listed foreign shares
GAOLING YALI FUND, L. P.	9,005,161	Domestically listed foreign shares
China Everbright Bank-Everbright Pramerica Quantified Core Fund	8,961,275	Renminbi ordinary shares
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	7,233,600	Domestically listed foreign shares

### § 3. Significant Events

3.1 Particular about large-margin changes in main item of accounting statement and financial index and reasons for change

Applicable Inapplicable

I. Net profit of first three quarters of 2009 declined compared with the same period of last year due to the following reasons

1. Price of panel has been rising up in the three quarters of 2009, which lessened profit

Since 2009, especially the second and the third quarter, panel manufacturing enterprises reduced supply by reduce operating rate to heighten price, and price of LCD for television continually rose up. Panel takes up 60%-80% in cost of LED television, so rise of price of LED damaged profit of television manufacturing companies, which caused decline of profitability of flat panel television.

2. Olympic Games 2008 promoted sales of televisions by a large margin, and net profit in the third quarter 2008 was high, but net profit decreased by a large margin year-on-year.

Driving by Olympic economic, on behalf of Konka HDTV, Konka i-sport series HDTV sold well and the color TV's sale volume of the Company grew significantly in the third quarter of 2008, which caused high net profit. Growth rate of sales of television in the third quarter of 2009 was lower than the same period of last year due to lack of direct stimulus, and net profit of television business realized decreased.

Due to the above factors, net profit attributable to owners of parent company in the first three quarters decreased 43.25% year-on-year.

II. Monetary capital at the end of report period increased 95.22% over the year-begin, mainly because the Company developed portfolio of USD loan+RMB pledge loan+NDF and deposit of pledged RMB increased.

III. Construction in progress at the end of report period increased 365.55% over the year-begin, mainly because investment on construction in progress increased for establishment of Kunshan KONKA Electronic Co., Ltd, move of An Hui KONKA Electronic Co., Ltd and successful advance of R&D Building in headquarters.

IV. Intangible assets at the end of report period increased 144.81% over the year-begin, which was mainly because the Company gained land use right for Kunshan KONKA Electronic Co., Ltd.

V. Tax payable at the end of report period decreased 461.36% over the year-begin, mainly because the Company purchased import cargoes for Shenzhen KONKA Telecommunications Technology Co., Ltd and headquarters, and value-added tax paid caused decrease of tax payable.

VI. The financial expenses of the first three quarters this year registered a year-on-year increase of 627.27%. This was because the NDF composite business of the Company saw a significantly less income in the year 2009 than 2008 due to the market reason; meanwhile, the considerable year-on-year increase of the financial expenses was also resulted from the increase of the discount charges due to the growth of the Company's discount business in the report period.

VII. The first three quarters this year saw a year-on-year growth of 82.67% in the non-business income, which mainly came from the government prizes won by subsidiaries Dongguan Konka Electronics Co., Ltd. and Dongguan Konka Tooling and Mould Co., Ltd., as well as from the increase of penalty income.

3.2 Progress of significant events, as well as analysis and explanation on their impact and solutions

Applicable                      Inapplicable

The Company did not offer capital to the controlling shareholder and its related parties. Neither did it provide external guarantees in violation of prescribed

procedures.

3.3 Particulars about implementation of commitments made by the Company, its shareholders and actual controller

Applicable                      Inapplicable

The OCT Group Co., Ltd., the Company's shareholder, made the following special commitments in the share merger reform:

Name of shareholder	Special commitments made	Implementation
The OCT Group Co., Ltd.	(1) All the non-tradable Konka Group shares held by OCT Group would not be listed for trading or transferred within 24 months since the day when the said shares became tradable in the A-share market; (2) Upon the expiration of the aforesaid commitment, the originally non-tradable Konka Group shares listed and sold through the stock exchange would not exceed 5% of the total Konka Group shares within 12 months, and not exceed 10% within 24 months.	No listing and trading of the shares subject to moratorium has been applied. And those shares have not been transferred, either.

Except for the above-mentioned commitments, the Company or its shareholders had not made any other commitment by the period-end.

3.4 Warnings of possible losses or major changes of the accumulative net profit achieved during the period from year-begin to the end of the next report period compared with the same period of last year, as well as explanation on reasons

Applicable                      Inapplicable

3.5 Other significant events that need to be explained

3.5.1 Securities investment

In the report period, the Company acquired 2,000 shares of Everbright Securities and 23,000 shares of China Metallurgical, which were all sold later and generated a profit of RMB 45,425.49.

3.5.2 Equity of other listed companies held by the Company

Unit: (RMB) Yuan

Stock code	Short form of stock	Initial investment	Ratio to equity of invested company	Book value at period-end	Profit and loss in report period	Changes of owners' equity in report period
000002	Wanke A	2,311,748.07	0.00%	1,222,370.20	0.00	-273,332.30
600891	SSTQIULIN	9,000,000.00	3.84%	9,000,000.00	0.00	0.00
Total		11,311,748.07	-	10,222,370.20	0.00	-273,332.30

3.5.3 Researches, interviews and visits received in report period

Time	Place	Way of reception	Visitor	Main discussion and materials provided by the Company
13 Jul. 2009	Company office	Field research	Guoyuan Securities and First Shanghai Investments	Development trends in the industry, the Company's position in the industry, the market prospect of the Company's new products and the progress of relevant work

3.6 Derivatives investment

Applicable                      Inapplicable

Considering the fluctuating RMB exchange rate, to conduct the USD loan + RMB pledged deposit + NDF composite business (hereinafter referred to as "the NDF composite

business”) was believed to be able to generate a proper sum of risk-free profit. Therefore, upon the agreement of the Board of Directors, the Company started its NDF composite business. In such a composite business, NDF was one of the financial derivative products, but the function of the NDF was only to lock the forward exchange rate so as to avoid relevant risks. When the NDF composite business was due and settled, the Company would obtain a proper risk-free income after paying off the relevant interest and expenses.

Up until the end of the report period, the Company had invested a principal sum of USD 374.32 million in its NDF composite business, which would be due one year after the date when the investment was made. When the business was due and settled, the fixed income would surely be realized. And such an income from the NDF composite business was considered fixed and risk-free, with no fluctuating profits or losses, and no changes of fair value. Meanwhile, compared with the last report period, no significant changes took place in the Company’s accounting policy and specific accounting principles of the NDF composite business.

Analysis on risks and control measures of holding positions of derivatives in the report period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	In the NDF composite business, the function of NDF was only to lock the forward exchange rate so as to avoid relevant risks. And the income from the NDF composite business was considered fixed and risk-free.
Changes of market prices or fair values in the report period of the invested derivatives, and the analysis on the fair value of the derivatives should include how to use, and the relevant assumptions and parameters	The income from the NDF composite business was considered fixed and risk-free, with no fluctuating profits or losses, and no changes of fair value.
Whether significant changes happened to the Company’s accounting policy and specific accounting principles of the derivatives in the report period compared with the last report period	Compared with the last report period, no significant changes took place in the Company’s accounting policy and specific accounting principles of the NDF composite business.
Specific opinion from independent directors, sponsors or financial consultants on the Company’s derivatives investment and risk control	The independent directors of the Company Ms. Yang Haiying, Mr. Feng Yutao and Mr. Zhang Zhong were of the opinion that it was necessary to some degree for the Company to conduct the NDF composite business because it enabled the Company to enjoy fixed and risk-free profits brought by the RMB exchange rate fluctuation; the internal control systems of derivatives investment that the Company is improving, and the relevant risk control measures to be taken by the Company were considered feasible.

### 3.6.1 Positions of derivatives held by the Company at period-end

Applicable

Inapplicable

Unit: (RMB) Billion

Type of contract	Maturing date of contract	Contract amount at period-begin	Contract amount at period-end	Proportion of the contract amount at period-end in the Company’s net assets at period-end
USD loan + RMB pledged deposit + NDF composite business	One year after the operation date	0	2.556	66.88%
Total	-	0	2.556	66.88%

## § 4. Appendix

### 4.1 Balance sheet

Prepared by Konka Group Co., Ltd

30 Sep. 2009

Unit: RMB Yuan

Item	Closing balance	Opening balance
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	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	4,033,814,149.00	3,138,114,733.07	2,066,252,494.08	1,475,666,531.16
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	2,436,986,818.83	2,201,190,903.07	2,602,862,135.40	2,490,683,124.51
Account receivable	1,269,899,678.96	1,108,279,810.63	1,326,261,316.54	1,047,632,207.37
Account paid in advance	144,507,914.39	189,988,578.80	258,992,334.73	202,116,433.21
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interest receivable			19,905,867.09	17,616,624.79
Dividend receivable				
Other account receivable	96,842,008.10	882,304,520.80	81,299,762.88	1,069,914,747.28
Financial assets purchased under agreements to resell				
Inventories	3,138,627,541.72	2,412,818,351.79	2,573,776,867.13	1,914,848,396.91
Non-current assets due within 1 year				
Other current assets				
Total current assets	11,120,678,111.00	9,932,696,898.16	8,929,350,777.85	8,218,478,065.23
Non-current assets:				
Loans and advance				
Available for sale financial assets	10,222,370.20	10,222,370.20	9,756,649.50	9,756,649.50
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	21,035,083.44	1,149,511,669.87	21,610,338.75	1,149,511,669.87
Investing property				
Fixed asset	1,272,385,576.47	394,273,238.11	1,344,177,898.16	417,114,182.46
Project in construction	127,241,574.67	40,854,152.25	27,331,613.11	17,412,689.40
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets	169,463,757.94	19,219,537.09	69,223,899.60	19,277,794.23
Development expense				
Goodwill	3,943,671.53		3,943,671.53	
Long-term expense to be apportioned	18,913,003.56	6,820,351.96	19,897,124.12	5,970,948.27
Deferred tax assets	91,892,079.45	90,960,210.73	91,993,543.01	91,053,354.87
Other non-current assets				
Total of non-current assets	1,715,097,117.26	1,711,861,530.21	1,587,934,737.78	1,710,097,288.60
Total assets	12,835,775,228.26	11,644,558,428.37	10,517,285,515.63	9,928,575,353.83
Current liabilities:				
Short-term loans	2,777,987,335.00	2,561,333,550.00	1,346,375,610.78	1,094,765,111.29
Loans from central bank				
Deposits received and hold for others				

Placements From Banks Other Financial Institutions				
Transaction financial liabilities			12,481,880.16	10,623,434.10
Notes payable	3,047,117,388.32	2,487,532,415.70	2,637,681,947.36	2,441,813,730.21
Account payable	1,689,740,124.97	1,761,888,884.29	1,571,761,341.98	1,640,897,495.08
Account received in advance	274,654,448.64	132,333,764.65	179,376,510.50	110,769,256.44
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employee ' s compensation payable	154,100,277.69	65,110,698.01	168,838,494.96	81,507,222.39
Tax payable	-51,543,938.36	-18,653,573.90	14,263,975.12	27,855,510.51
Interest payable			8,247,223.62	5,511,794.93
Dividend payable	8,558,368.74		7,108,659.46	
Other account payable	826,320,517.42	801,656,449.66	527,535,236.31	628,707,957.85
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	8,726,934,522.42	7,791,202,188.41	6,473,670,880.25	6,042,451,512.80
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Long-term payables				
Specific purpose account payables				
Deferred income	65,803,369.62	52,992,369.62	43,578,369.62	39,442,369.62
Provisions for contingent liabilities				
Deferred tax liabilities	563,067.21		563,067.21	
Other non-current liabilities				
Total non-current liabilities	66,366,436.83	52,992,369.62	44,141,436.83	39,442,369.62
Total liabilities	8,793,300,959.25	7,844,194,558.03	6,517,812,317.08	6,081,893,882.42
Owner ' s equity (or shareholders ' equity)				
Paid-in capital (or share capital)	1,203,972,704.00	1,203,972,704.00	1,203,972,704.00	1,203,972,704.00
Capital surplus	1,256,510,871.77	1,249,262,087.74	1,256,138,295.21	1,248,889,511.18
Less: Treasury Stock				
Special reserves				
Surplus reserve	804,896,533.82	804,896,533.82	804,896,533.82	804,896,533.82
General risk provision				
Retained earnings	547,086,338.31	542,232,544.78	500,638,125.11	588,922,722.41
Foreign exchange difference	9,817,619.34		9,397,273.34	

Total owners' equity attributable to holding company	3,822,284,067.24	3,800,363,870.34	3,775,042,931.48	3,846,681,471.41
Minority interest	220,190,201.77		224,430,267.07	
Total owner's equity	4,042,474,269.01	3,800,363,870.34	3,999,473,198.55	3,846,681,471.41
Total liabilities and owner's equity	12,835,775,228.26	11,644,558,428.37	10,517,285,515.63	9,928,575,353.83

#### 4.2 Income statement during the reporting period

Prepared by Konka Group Co., Ltd

Jul. -Sep. 2009

Unit: RMB

Yuan

Items	Jul. -Sep. 2009		Jul. -Sep. 2008	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	3,853,977,811.36	3,345,070,509.22	3,406,201,752.85	2,932,985,868.86
Including: Sales	3,853,977,811.36	3,345,070,509.22	3,406,201,752.85	2,932,985,868.86
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	3,825,769,499.79	3,380,095,164.49	3,268,102,196.96	2,827,059,406.12
Including: Cost of sales	3,161,286,159.30	2,818,338,010.57	2,754,103,916.37	2,411,092,454.83
Interests expenses				
Service charge and commission income				
Cash surrender value				
Claim expenses-net				
Provision for insurance contract reserves-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	743,601.89	199,376.18	789,514.67	17,013.19
Distribution expenses	524,136,474.55	467,532,448.34	422,936,325.64	369,250,208.43
Administrative expenses	117,733,448.85	73,351,915.11	102,777,099.02	68,616,652.57
Financial costs	22,686,179.10	20,673,414.29	-12,482,211.48	-21,916,922.90
Impairment loss	-816,363.90		-22,447.26	
Add: gain/(loss) from change in fair value ("-" means loss)	8,445,431.25	8,445,431.25		
Gain/(loss) from investment ("-" means loss)	1,909,738.01	51,291.95	-2,599,725.61	42,875,961.08
Including: income from investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	38,563,480.83	-26,527,932.07	135,499,830.28	148,802,423.82
Add: non-business income	5,646,103.71	3,032,376.41	1,390,124.85	965,914.55
Less: non-business expense	889,318.58	503,294.36	2,563,264.51	1,694,679.29



Including: loss from non-current asset disposal	265,639.19	213,130.81	248,201.51	143,722.47
IV. Total profit (“-” means loss)	43,320,265.96	-23,998,850.02	134,326,690.62	148,073,659.08
Less: Tax expense	10,564,856.20	5,015,664.91	22,829,078.96	19,589,842.11
V. Net profit (“-” means loss)	32,755,409.76	-29,014,514.93	111,497,611.66	128,483,816.97
-Attributable to parent company	26,344,833.39	-29,014,514.93	107,383,602.56	128,483,816.97
-Minority interest	6,410,576.37		4,114,009.10	
VI. Earnings per share				
(I) Basic earnings per share	0.0219	-0.0241	0.0892	0.1067
(II) Diluted earnings per share	0.0219	-0.0241	0.0892	0.1067
VII. Other comprehensive income	-218,665.84	-218,665.84	-238,561.62	-238,561.62
VIII. Total comprehensive income	32,536,743.92	-29,233,180.77	111,259,050.04	128,245,255.35
Total comprehensive income attributable to owner of parent company	26,126,167.55	-29,233,180.77	107,145,040.94	128,245,255.35
Total comprehensive income attributable to minority shareholders	6,410,576.37	0.00	4,114,009.10	0.00

#### 4.3 Income statement from the year-begin to the end of reporting period

Prepared by Konka Group Co., Ltd  
Yuan

Jan.-Sep. 2009

Unit: RMB

Items	Jan.-Sep. 2009		Jan.-Sep. 2008	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	9,025,977,839.56	7,674,833,760.83	9,026,727,739.01	7,635,779,513.19
Including: Sales	9,025,977,839.56	7,674,833,760.83	9,026,727,739.01	7,635,779,513.19
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	8,916,193,390.75	7,666,599,691.69	8,794,421,895.57	7,420,305,740.17
Including: Cost of sales	7,353,006,874.32	6,373,687,552.74	7,334,806,973.41	6,277,610,311.72
Interests expenses				
Service charge and commission income				
Cash surrender value				
Claim expenses-net				
Provision for insurance contract reserves-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	2,245,012.60	764,313.61	1,823,949.99	54,054.67
Distribution expenses	1,194,700,330.45	1,052,296,455.44	1,144,658,923.06	972,480,965.31
Administrative expenses	331,940,106.45	214,194,849.50	315,046,795.56	216,926,285.92

Financial costs	38,868,613.93	30,608,027.25	5,344,444.32	-37,471,068.24
Impairment loss	-4,567,547.00	-4,951,506.85	-7,259,190.77	-9,294,809.21
Add: gain/(loss) from change in fair value (" - " means loss)	10,623,434.10	10,623,434.10		
Gain/(loss) from investment (" - " means loss)	1,334,482.70	1,401,291.95	5,000,082.85	50,241,723.11
Including: income from investment on affiliated enterprise and jointly enterprise	-575,255.31			
Foreign exchange difference (" - " means loss)				
III. Business profit (" - " means loss)	121,742,365.61	20,258,795.19	237,305,926.29	265,715,496.13
Add: non-business income	11,924,159.22	6,511,410.16	6,527,673.55	3,269,190.46
Less: non-business expense	2,743,685.85	1,392,944.57	8,668,560.23	4,848,530.41
Including: loss from non-current asset disposal	1,018,815.05	675,209.14	2,661,199.71	467,433.13
IV. Total profit (" - " means loss)	130,922,838.98	25,377,260.78	235,165,039.61	264,136,156.18
Less: Tax expense	23,180,948.73	11,868,803.21	38,096,636.89	31,307,104.24
V. Net profit (" - " means loss)	107,741,890.25	13,508,457.57	197,068,402.72	232,829,051.94
-Attributable to parent company	106,646,848.40	13,508,457.57	187,938,829.77	232,829,051.94
-Minority interest	1,095,041.85		9,129,572.95	
VI. Earnings per share				
(I) Basic earnings per share	0.0886	0.0112	0.1561	0.1934
(II) Diluted earnings per share	0.0886	0.0112	0.1561	0.1934
VII. Other comprehensive income	372,576.56	372,576.56	-18,479,725.85	-18,479,725.85
VIII. Total comprehensive income	108,114,466.81	13,881,034.13	178,588,676.87	214,349,326.09
Total comprehensive income attributable to owner of parent company	107,019,424.96	13,881,034.13	169,459,103.92	214,349,326.09
Total comprehensive income attributable to minority shareholders	1,095,041.85	0.00	9,129,572.95	0.00

#### 4.4 Cash flow statement from the year-begin to the end of reporting period

Prepared by Konka Group Co., Ltd

Jan.-Sep. 2009

Unit: RMB

Yuan

Items	This period		Last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities				
Cash received from sales of goods or rendering of	10,438,234,930.09	8,804,694,171.19	10,352,567,923.36	8,334,469,482.50

services				
Net increase of deposits received and held for others				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial assets				
Cash received against original insurance contract				
Net Cash received from reinsurance				
Net increase of client deposit and investment				
Net increase of disposal of tradable financial assets				
Cash received as Interests, fees and commissions received				
Net increase of inter-bank fund received				
Cash received under repurchasing, net				
Tax returned	70,594,162.83	15,821,280.80	51,398,124.17	127,171.99
Other cash received from operating activities	179,628,852.19	287,793,267.26	352,667,328.04	255,913,029.15
Sub-total of cash inflow from operating activities	10,688,457,945.11	9,108,308,719.25	10,756,633,375.57	8,590,509,683.64
Cash paid for goods and services	8,450,889,306.77	7,511,836,747.08	8,608,668,126.94	7,111,343,614.17
Net increase of loans and advances				
Net increase of deposit in central bank, banks and other financial institutions				
Cash paid for original contract claim				
Cash paid for interests, fees and commission				
Cash paid for policy dividend				
Cash paid to and for employees	652,178,044.58	393,980,961.43	635,630,219.23	376,602,996.23
Cash paid for all types of taxes	1,021,065,218.57	858,756,754.19	681,374,564.00	546,371,943.82
Other cash paid relating to operating activities	619,016,186.77	509,618,481.76	911,040,122.85	605,605,702.02
Sub-total of cash outflows	10,743,148,756.69	9,274,192,944.46	10,836,713,033.02	8,639,924,256.24
Net cash outflow in operating activities	-54,690,811.58	-165,884,225.21	-80,079,657.45	-49,414,572.60
II. Cash Flows from Investing				

Activities				
Cash received from return of investments	166,820.00	166,820.00	28,307,682.22	33,516,841.77
Cash received from investment income	51,291.95	1,401,291.95	5,428,766.15	53,191,595.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	9,365,186.55	8,161,759.93	371,027.76	240,710.00
Net cash received from disposal of subsidiaries and other operating units				
Other cash received relating to investing activities	12,842,744.00			
Sub-total of cash inflows of investing activities	22,426,042.50	9,729,871.88	34,107,476.13	86,949,147.10
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	197,393,691.27	18,686,283.55	74,753,029.94	18,288,448.03
Cash paid for acquisition of investments	166,820.00	166,820.00	84,360.00	350,584,360.00
Net increase of pledge loans				
Net cash paid for acquisition of subsidiaries and other operating units				
Other cash paid relating to investing activities				
Sub-total of cash outflows of investing activities	197,560,511.27	18,853,103.55	74,837,389.94	368,872,808.03
Net cash inflow from investing activities	-175,134,468.77	-9,123,231.67	-40,729,913.81	-281,923,660.93
III. Cash Flows from Financing Activities:				
Cash received from investment	6,093,075.82			
Including: Cash received from minority shareholders of subsidiaries	6,093,075.82			
Cash received from borrowings	2,772,987,335.00	2,561,333,550.00	618,491,153.94	470,000,000.00
Cash received from bonds issuing				
Cash received relating to financing activities	2,000,992,506.14	1,494,586,200.94		
Sub-total of cash inflows of financing activities	4,780,072,916.96	4,055,919,750.94	618,491,153.94	470,000,000.00
Cash paid for repayments of borrowings	1,267,998,493.12	1,020,394,062.77	173,012,038.65	150,000,000.00

Cash paid for dividends, profit distribution or interest	71,496,591.28	60,198,635.20	16,276,737.78	11,330,165.03
Including: dividends or profits paid to minority shareholders by subsidiaries				
Other cash paid relating to financing activities	2,806,444,846.85	2,593,994,694.61	694,513.72	
Sub-total of cash outflows of financing activities	4,145,939,931.25	3,674,587,392.58	189,983,290.15	161,330,165.03
Net cash inflow from financing activities	634,132,985.71	381,332,358.36	428,507,863.79	308,669,834.97
IV. Effect of foreign exchange rate changes	-6,681,173.42	-6,188,917.55	-5,431,366.39	
V. Net decrease in cash and cash equivalents	397,626,531.94	200,135,983.93	302,266,926.14	-22,668,398.56
Add : Opening amount of cash and cash equivalents	845,026,867.06	358,631,499.14	752,558,414.47	556,082,988.52
VI. Closing balance of cash and cash equivalents	1,242,653,399.00	558,767,483.07	1,054,825,340.61	533,414,589.96

#### 4.5 Auditor ' s report

Audit opinion: Un-audited

**Board of Directors of  
Konka Group Co. , Ltd**  
23 Oct. 2009