

# **KONKA GROUP CO., LTD.**

## **INTERIM REPORT 2018**

**2018-65**

**August 2018**

## **Part I Important Notes, Table of Contents and Definitions**

**The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Konka Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.**

**Liu Fengxi, the Company’s legal representative, Li Chunlei, the Company’s Chief Financial Officer (CFO), and Feng Junxiu, head of the Company’s financial department (equivalent to financial manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.**

**All the Company’s directors have attended the Board meeting for the review of this Report and its summary.**

**Any plans for the future or other forward-looking statements mentioned in this Report and its summary shall NOT be considered as absolute promises of the Company to investors. Therefore, investors are reminded to exercise caution when making investment decisions.**

**The Company has no interim dividend plan, either in the form of cash or stock.**

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

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## Definitions

Term	Definition
The “Company”, the “Group”, “Konka Group” or “we”	Konka Group Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
Telecommunication Technology	Shenzhen Konka Telecommunications Technology Co., Ltd.
Konka Electrical Appliances	Shenzhen Konka Electrical 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.
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 Electrical Appliances Investment	Konka Electrical Appliances Investment & Development Co., Ltd.
Konka Electrical Appliances International Trading	Konka Electrical 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 Electrical Appliances 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.
Konka SmartTech	Konka SmartTech Limited
Kaikai Shijie	Anhui Kaikai Shijie E-commerce Co., Ltd.
E2info	Shenzhen E2info Network Technology Co., Ltd.
Mobile Interconnection	Shenzhen Konka Mobile Interconnection Technology Co., Ltd.

Commercial System Technology	Shenzhen Konka Commercial System Technology Co., Ltd.
Chain Kingdom	Chain Kingdom Co., Limited
Kangqiao Easy Chain	Shenzhen Kangqiao Easy Chain Technology Co., Ltd.
E3info	E3info (Hainan) Technology Co., Ltd.
Chuzhou Konka TID	Chuzhou Konka Technology & Industry Development Co., Ltd.
Konka Ventures	Konka Ventures Development (Shenzhen) Co., Ltd.
Konka Pengrun	Shenzhen Konka Pengrun Technology & Industry Co., Ltd.
Konka Unifortune	Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.
Konka Investment	Shenzhen Konka Investment Holding Co., Ltd.
Kangzhi Trade	Anhui Kangzhi Trade Co., Ltd.
Konka Material	Hainan Konka Material Technology Co., Ltd.
Konka Leasing	Tianjin Konka Leasing Co., Ltd.
Yantai Konka	Yantai Konka Healthcare Enterprise Service Co., Ltd.
Konka Capital	Shenzhen Konka Capital Equity Investment Management Co., Ltd.
Chain Kingdom Shenzhen	Chain Kingdom (Shenzhen) Co., Ltd.
Electronics Technology	Shenzhen Konka Electronics Technology Co., Ltd.
Sichuan Konka	Sichuan Konka Smart terminal Technology Co., Ltd.
Jiaxin Technology	Jiaxin Technology Co., Ltd.
Kangjietong	Kangjietong (Hong Kong) Limited
Sichuan Kangjietong	Sichuan Kangjietong Supply Chain Management Co., Ltd.
Konka Huanjia	Konka Huanjia (Dalian) Environmental Technology Co., Ltd.
Chengdu Konka	Chengdu Konka Incubator Management Co., Ltd.
Yibin Konka	Yibin Konka Technology Park Operation Co., Ltd.
Konka Suiyong	Konka Suiyong Investment (Shenzhen) Co., Ltd.
Electrical Appliance Technology	Anhui Konka Electrical Appliance Technology Co., Ltd.
Jiali International	Jiali International (Hong Kong) Limited
XingDa HongYe	GuangDong XingDa HongYe Electronic Co., Ltd.
Xinfeng Zhuoqun	Shanghai Xinfeng Zhuoqun PCB Co., Ltd.
Zewei Kechuang	Zhongshan Zewei Kechuang Investment Management Co., Ltd.
Econ Technology	Shandong Econ Technology Co., Ltd.
Beijing Econ	Beijing Econ Runfeng Technology Co., Ltd.
Shanghai Jiye	Shanghai Jiye Environmental Technology Co., Ltd.
Binzhou Econ	Binzhou Econ Zhongke Environmental Technology Co., Ltd.
Lairun Holdings	Laizhou Lairun Holdings Co., Ltd.

Econ Environmental Engineering	Econ Environmental Engineering Co., Ltd.
Rushan Yike	Rushan Yike Water Treatment Co., Ltd.
Binzhou Weiyijie	Binzhou Weiyijie Environmental Technology Co., Ltd.
Yantai Chunzhiran	Yantai Chunzhiran Environmental Technology Co., Ltd.
Rushan Econ	Rushan Econ Beike Technology Incubator Co., Ltd.
Fujian Econ	Fujian Econ Changrun Environmental Protection Co., Ltd.
Lairun Huayang	Laizhou Lairun Huayang Heating Co., Ltd.
Lairun Heating	Laizhou Lairun Heating Co., Ltd.
Lairun Green Energy	Laizhou Lairun Green Energy Co., Ltd.
Beihai Jingmai	Binzhou Beihai Jingmai Industrial Development Co., Ltd.
Huanhai Xinze	Yantai Huanhai Xinze Enterprise Management Co., Ltd.
Binzhou Weinengda	Binzhou Weinengda Transport Co., Ltd.
Binhai Sewage Treatment	Laizhou Binhai Sewage Treatment Co., Ltd.
Lairun Environmental Protection	Laizhou Lairun Environmental Protection Co., Ltd.
CSRC	The China Securities Regulatory Commission
SZSE	The Shenzhen Stock Exchange
CSRC Shenzhen	The Shenzhen Bureau of the China Securities Regulatory Commission
RMB, RMB'0,000, RMB'00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions of Renminbi

## Part II Corporate Information and Key Financial Information

### I Corporate Information

Stock name	Konka Group-A, Konka Group-B	Stock code	000016, 200016
Changed stock name (if any)	N/A		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	康佳集团股份有限公司		
Abbr. (if any)	康佳集团		
Company name in English (if any)	KONKA GROUP CO., LTD.		
Abbr. (if any)	KONKA GROUP		
Legal representative	Liu Fengxi		

### II Contact Information

	Board Secretary	Securities Representative
Name	Wu Yongjun	Miao Leiqiang
Address	Board Secretariat, 24/F, Konka R&D Centre, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China	Board Secretariat, 24/F, Konka R&D Centre, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China
Tel.	0755-26609138	0755-26609138
Fax	0755-26601139	0755-26601139
Email address	szkonka@konka.com	szkonka@konka.com

### III Other Information

#### 1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

Applicable  Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2017 Annual Report.

## 2. Media for Information Disclosure and Place where this Report is Kept

Indicate by tick mark whether any change occurred to the information disclosure media and the place for keeping the Company's periodic reports in the Reporting Period.

Applicable  Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Company's periodic reports and the place for keeping such reports did not change in the Reporting Period. The said information can be found in the 2017 Annual Report.

## IV Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

	H1 2018	H1 2017	Change (%)
Operating revenue (RMB)	17,625,414,769.82	11,405,965,979.43	54.53%
Net profit attributable to the listed company's shareholders (RMB)	341,793,039.03	30,871,267.86	1007.16%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	-300,870,612.80	-44,456,212.17	-576.78%
Net cash generated from/used in operating activities (RMB)	-1,838,158,705.86	-2,264,014,704.88	18.81%
Basic earnings per share (RMB/share)	0.1419	0.0128	1008.59%
Diluted earnings per share (RMB/share)	0.1419	0.0128	1008.59%
Weighted average return on equity (%)	4.19%	1.06%	3.13%
	30 June 2018	31 December 2017	Change (%)
Total assets (RMB)	28,134,003,876.94	23,558,735,469.78	19.42%
Equity attributable to the listed company's shareholders (RMB)	7,940,999,540.26	7,994,145,476.61	-0.66%

## V Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

### 1. Net Profit and Equity Differences under CAS and IFRS

Applicable  Not applicable



No such differences for the Reporting Period.

## 2. Net Profit and Equity Differences under CAS and Foreign Accounting Standards

Applicable  Not applicable

No such differences for the Reporting Period.

## XI Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	Reporting Period	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	109,176,724.28	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards)	95,673,059.56	
Gain or loss on investments or assets entrusted to other entities for management	83,860,015.29	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-5,196,666.98	
Gain or loss on loan entrustments	599,186.29	
Non-operating income and expense other than above	14,941,575.60	
Other gains and losses that meet definition of exceptional gain/loss	445,568,627.45	
Less: Income tax effects	38,310,511.85	
Non-controlling interests effects (net of tax)	63,648,357.81	
<b>Total</b>	<b>642,663,651.83</b>	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

Item	Amount (RMB)	Reason
Tax rebates on software	34,848,961.96	Recurrent government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards

## Part III Business Summary

### I Core Business Scope of the Company in Reporting Period

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

No.

Currently, the Company consists of three major business divisions, namely, the consumer electronic division, the supply chain management division and the environmental protection division, which are detailed as follows:

#### (I) The Consumer Electronic Division

This division primarily comprises the multimedia sub-division, the white goods sub-division and the mobile phone sub-division, with details as follows:

##### 1. The Multimedia Sub-Division

The Company provides multimedia products and services, including colour TVs and Internet TV services, for both domestic and overseas markets.

The domestic sales of the Company's colour 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 operating across the country. And the Company profits from the margins between the costs and the selling prices of its colour TVs.

As for selling its colour TVs abroad, the Company mainly relies on B2B. Its colour TVs are sold to Asia Pacific, Middle East, Central & South America, East Europe, etc. And operating profit source is also the differences between the costs and the selling prices of its colour TVs.

The Company offers Internet TV services based on the smart TVs it has sold to end users. Firstly, it works with other Internet companies to provide end users with, among other content, video, educational, music, medical and game content to generate earnings. Secondly, it analyses user behaviours and offer certain free, interactive services to increase attractiveness to users, promote its brand and stimulate desire for its hardware products. Finally, it is trying to build an Internet TV platform with tens of millions of users, on which it will profit through commercial and application distribution. This Internet TV business is key to the Company's Internet-oriented transformation and upgrade to a development model of "hardware + software" and "smart TV + end users".

##### 2. The White Goods Sub-Division

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

### 3. The Mobile Phone Sub-Division

The mobile phones of the Company are sold to both the domestic and overseas markets. The overseas sales mainly rely on B2B and the profit comes from the margins between the costs and the selling prices of the mobile phones. As for the domestic sales of its mobile phones, the Company relies on B2B and B2C, and profits mainly from the costs and the selling prices of its products and slightly from the related value added services.

#### (II) The Supply Chain Management Division

In this business, relying on the advantages of the raw material procurement channels, distribution systems and terminal networks of its consumer electronic business, the Company helps upstream and downstream enterprises of the supply chain solve channel problems caused by asymmetric information and improve efficiency. At present, this business runs on two models. In the procurement and distribution supply chain model, the Company benefits from purchasing IC chips, LCD screens, etc. from upstream suppliers and selling them to downstream customers through the supply chain of its traditional core business. Supply chain services are another model. Capitalizing on its years of experience in product quality control, outsourcing partner assessment and international trade, the Company is able to help improve the client's supply chain in efficiency and cost through the provision of services including product quality control, warehousing and logistics, customs clearance of imports and exports, documentation, tax handling, outsourcing partner selection, etc. Profit comes from service charges. Additionally, the supply chain management business can help the Company establish good relationships with its upstream suppliers and downstream customers, and keep it informed of prices of the materials used in its production for better cost control over its existing products.

#### (III) The Environmental Protection Division

Currently, this business focuses on water treatment and recycling of renewable resources. Water engineering PPP (Public-Private Partnership) projects are undertaken under BOT (Build-Operate-Transfer) or EPC (Energy Performance Contracting) models. And renewable resources are collected, sorted, processed, distributed and sold.

## II Material Changes in Major Assets

### 1. Material Changes in Major Assets

Major assets	Main reason for material changes
Equity assets	Long-term equity investments rose 65.72% at the end of the Reporting Period compared to the beginning amount, primarily driven by the shift of Anhui Kaikai Shijie E-commerce Co., Ltd. from a consolidated subsidiary to a long-term equity investment measured at the equity method, as well as by new equity investments in associates.

Fixed assets	No material change
Intangible assets	Up 101.09% at the end of the Reporting Period compared to the beginning amount, primarily driven by the consolidated intangible assets (land use rights, franchise rights, etc., at their carrying amounts) of acquirees Shandong Econ Technology Co., Ltd. and GuangDong XingDa HongYe Electronic Co., Ltd. in the Current Period
Construction in progress	No material change
Goodwill	Up 13965.55% at the end of the Reporting Period compared to the beginning amount, primarily driven by the Company's acquisitions of a 51% interest in both Shandong Econ Technology Co., Ltd. and GuangDong XingDa HongYe Electronic Co., Ltd. in the Current Period

## 2. Major Assets Overseas

Applicable  Not applicable

## III Core Competitiveness Analysis

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

No.

The Company's core competitiveness lies in its R&D ability, brand, marketing network and human resources. It has developed a three-level R&D system of "Konka Research Institute-Multimedia R&D Centre-specialized design institutes", with close to 100 core technologies and approximately 2,000 R&D personnel. It also boasts a strong brand presence among consumers, as well as among banks and other financing channels. Additionally, its domestic marketing and service network, including 67 branch companies, over 200 offices and about 3,300 after-sales service stations across the country, directly connect to around 3,000 retail terminals, along with a well-established overseas marketing network. Meanwhile, it has high-level personnel with years of rich management and industry experience, as well as a high-quality team with strong execution capabilities.

## Part IV Operating Performance Discussion and Analysis

### I Overview

(I) In the Reporting Period, in order for faster transformation and upgrade and leapfrog growth, the Company has formulated a strategic plan for its medium- and long-term development, that is, “One Centric Orientation, Two Development Paths, Three Development Strategies and Four Business Divisions”. With the centric orientation to become a platform driven by technological innovation, as well as with industrial products as the basis supported by the composite capabilities of “Technology + Holding”, the Company will upgrade towards strategic emerging industries, expand its technology park business, and extend its Internet and supply chain service business, so as to formulate four major collaborating business divisions—the technology park division, the industrial product division, the platform service division and the investment & finance division.

Focused on its strategic plan, the Company made the following achievements in the Reporting Period:

1. The mixed ownership reform was carried forward for stronger competitiveness in the multimedia business. Shenzhen Konka Electronics Technology Co., Ltd. has been set up in the Reporting Period to run the Company’s colour TV and other multimedia businesses, which will accelerate the Company’s platform transformation, and enable a mixed ownership reform on the said business at a proper timing for better competitiveness.

Anhui Kaikai Shijie E-commerce Co., Ltd. (“Kaikai Shijie”), one of the Company’s majority-owned subsidiary, is responsible for operations under the Company’s online colour TV brand—KKTv. In order to make up its lack of digital contents and shift from a hardware provider to an Internet company featuring “digital contents + hardware + operation”, Kaikai Shijie has introduced Guangdong South Aishi Entertainment Technology Co., Ltd. (“South Aishi”) as a 10% shareholder. South Aishi is a professional Internet company offering Internet TV entertainment services, with fully-licensed joint operation rights, rich digital contents and years of OTT experience.

2. The technology park, environmental protection and other businesses have gradually taken shape. In terms of the technology park business, in addition to carrying forward the existing projects including Phase I of the Konka Chuzhou Technological Innovation Centre and the Yibin Konka Smart Terminals Industrial Park, the Company has also newly launched the Konka Belt and Road Headquarters, Phase II of the Konka Chuzhou Technological Innovation Centre, the Zibo High-End Equipment Industrial Park, the Nanjing K-Star Cloud Network Headquarters, etc. Meanwhile, talks are underway for the Konka Smart Appliances and Equipment Industrial Park, the Ankang Smart Plant, Minghu K-Care Town and so on.

In the environmental protection business, the Company acquired a 51% interest in Shandong Econ Technology Co., Ltd. (“Econ Technology”), which specializes in water treatment. Recently, one of Econ Technology’s affiliates has won the bids for the RMB1.299 billion urban river comprehensive treatment PPP project for the Donggang city, as well as for the RMB2.849 billion city centre comprehensive improvement project for the Weifang Binhai Economic and Technological Development Zone.

Additionally, the Company has recently acquired a 51% stake in Jiujiang Golden Phoenix Decoration Material Co., Ltd. (“Golden Phoenix”), which produces glass ceramic materials, a new green material. This acquisition has great significance for the Company’s plan in the new material sector.

3. During the Reporting Period, Anhui Konka Electrical Appliance Technology Co., Ltd., a 51% indirectly controlled subsidiary of the Company, won the bid of RMB455 million for the 100% interests of Henan Frestec Electrical Appliances Co., Ltd., Henan Frestec Refrigeration Appliance Co., Ltd. and Henan Frestec Household Appliances Co., Ltd. (The above three companies are collectively referred to as “Frestec Company”, the asset pool of which mainly includes Frestec brand, patents and related fixed assets). So far Frestec Company has completed the industrial and commercial registration of changes and gradually resumes production. This acquisition can help the Company quickly expand its white goods business under the two collaborating brands of “Konka” and “Frestec” for better profitability.

4. During the Reporting Period, four business sub-divisions based on the Internet ecology had taken shape in the Company’s Internet operation business, including the cross-device user operation sub-division based on Konka’s smart terminal user operation platform, the IoT (Internet of Things) operation sub-division based on Konka’s smart terminal hardware, as well as the other two sub-divisions in planning — the comprehensive healthcare business based on Konka’s comprehensive healthcare user operation platform and the smart town business based on Konka’s smart town operation platform, so as to build a complete household smart healthcare ecosystem. The Internet operation business was running well in the Reporting Period, with a new high in income.

(II) Due to the rapid growth in the new businesses, the Company is expected to achieve operating revenue of approximately RMB17.625 billion for H1 2018, up around 54.53% compared to H1 2017.

(III) Exceptional income was RMB643 million for the Reporting Period, which primarily came from the sale of certain interests in Kaikai Shijie for the mixed ownership reform.

## II Analysis of Core Businesses

See “I Overview” above.

## Year-on-year changes in key financial data:

Unit: RMB

	H1 2018	H1 2017	Change (%)	Main reason for change
Operating revenue	17,625,414,769.82	11,405,965,979.43	54.53%	Growth in the supply chain management business
Cost of sales	16,442,256,445.26	10,110,191,258.07	62.63%	
Selling expense	1,103,181,074.51	974,003,306.54	13.26%	
Administrative expense	364,827,669.33	264,108,100.97	38.14%	A rise in R&D and trial production expense
Finance costs	36,292,909.41	110,882,895.46	-67.27%	A rise in exchange gains due to exchange rate fluctuations
Income tax expense	-17,446,049.13	-3,838,772.97	-354.47%	
R&D expense	137,008,896.76	96,753,027.87	41.61%	
Net cash generated from/used in operating activities	-1,838,158,705.86	-2,264,014,704.88	18.81%	
Net cash generated from/used in investing activities	-343,094,565.17	-1,580,867,932.13	78.30%	A decline in cash payments for wealth management products
Net cash generated from/used in financing activities	2,880,630,318.57	4,161,145,047.39	-30.77%	A decline in net cash generated from/used in borrowings
Net increase in cash and cash equivalents	664,088,931.90	305,883,134.09	117.11%	

Material changes to the profit structure or sources of the Company in the Reporting Period:

√ Applicable □ Not applicable

Exceptional income was RMB643 million for the Reporting Period, which primarily came from the gain of RMB445.5686 million from remeasuring the remaining 46% interest in Anhui Kaikai Shijie E-commerce Co., Ltd. (formerly measured at the equity method) at the fair value method after the cease of the Company's control over Kaikai Shijie upon the sale of some interests in it for the mixed ownership reform.

Breakdown of core businesses:

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						

Electronics	6,716,672,638.19	5,811,221,512.70	13.48%	-1.35%	2.07%	-2.90%
Supply chain management	10,008,880,630.62	9,925,786,697.58	0.83%	132.37%	133.68%	-0.56%
Environmental protection	77,951,411.92	52,515,288.25	32.63%			
By product category						
Colour TVs	4,963,088,596.70	4,352,820,070.48	12.30%	-6.18%	-1.78%	-3.93%
White goods	1,084,381,984.51	892,338,557.03	17.71%	21.58%	22.90%	-0.89%
Supply chain management	10,008,880,630.62	9,925,786,697.58	0.83%	132.37%	133.68%	-0.56%
Environmental protection	77,951,411.92	52,515,288.25	32.63%			
Other	669,202,056.98	566,062,885.19	15.41%	6.74%	5.68%	0.85%
By operating segment						
Domestic	4,672,082,285.24	3,847,140,507.59	17.66%	-36.38%	-39.07%	3.64%
Overseas	12,131,422,395.49	11,942,382,990.94	1.56%	221.57%	229.28%	-2.31%

### III Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of total profit	Source/Reason	Exceptional or recurrent
Investment income	531,758,571.71	135.90%	The gain from remeasuring the remaining interest in Anhui Kaikai Shijie E-commerce Co., Ltd. at the fair value method after the cease of the Company's control over Kaikai Shijie	Exceptional
Gain/loss on changes in fair value	59,855,412.48	15.30%	Assessed gains/losses on fair-value fluctuations of deliverable forward contracts	Exceptional
Asset impairments	59,552,100.41	15.22%		Exceptional
Non-operating income	27,217,492.97	6.96%		Exceptional
Non-operating expense	5,951,749.57	1.52%		Exceptional



## IV Analysis of Assets and Liabilities

### 1. Material Changes in Asset Composition

Unit: RMB

	30 June 2018		30 June 2017		Change in percentage (%)	Reason for material change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	3,911,820,154.60	13.90%	2,490,079,604.07	12.05%	1.85%	
Accounts receivable	4,428,390,613.21	15.74%	1,966,918,540.02	9.52%	6.22%	
Inventories	4,854,235,062.74	17.25%	6,374,483,463.58	30.85%	-13.60%	
Investment property	213,639,992.84	0.76%	219,271,267.11	1.06%	-0.30%	
Long-term equity investments	2,187,539,867.00	7.78%	629,257,019.68	3.04%	4.74%	
Fixed assets	1,789,101,811.32	6.36%	1,544,239,052.29	7.47%	-1.11%	
Construction in progress	120,644,724.53	0.43%	404,450,172.08	1.96%	-1.53%	
Short-term borrowings	10,397,447,703.32	36.96%	10,744,965,110.13	51.99%	-15.03%	
Long-term borrowings	501,000,000.00	1.78%	70,000,000.00	0.34%	1.44%	

### 2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for Reporting Period	Purchased in Reporting Period	Sold in Reporting Period	Ending amount
Financial assets							
1. Financial assets at fair value through profit or loss (exclusive of	296,799.53						14,497,221.94

derivatives)							
3. Available-for-sale financial assets	712,170,399.09					20,058,162.76	692,112,236.33
Subtotal of financial assets	712,467,198.62					20,058,162.76	706,609,458.27
Total of above	712,467,198.62					20,058,162.76	706,609,458.27
Financial liabilities	47,482,470.50						1,827,480.43

Material changes in the measurement attributes of the major assets in the Reporting Period:

Yes  No

### 3. Restricted Asset Rights as at Period-End

Item	Ending carrying amount	Reason for restriction
Monetary assets	149,831,518.94	Various security deposits where access on demand is not allowed
Notes receivable	1,666,718,524.73	① Up to 30 June 2018, the Company had put RMB1,414,894,166.20 (carrying amount) of bank acceptance bills in pledge for various financing activities including bank acceptance bills, letters of credit, letters of guarantee and trade financings. ② Up to 30 June 2018, a trade acceptance bill of RMB241,824,358.53 (carrying amount) had been discounted by a bank with recourse for a short-term loan of RMB227,979,976.51, and another trade acceptance bill of RMB10,000,000.00 (carrying amount) had been discounted by a bank with recourse for a short-term loan of RMB9,545,000.00.
Fixed assets	5,807,674.32	Property preservation under a lawsuit
	60,288,708.63	Up to 30 June 2018, subsidiary Guangdong XingDa HongYe Electronic Co., Ltd. (“XingDa HongYe”) had put up building properties of RMB60,288,708.63 (carrying amount) and land use rights of RMB38,617,359.68 (carrying amount) as collateral in order to get a loan of RMB210,700,000.00.
Intangible assets	38,617,359.68	
Total	<b>1,921,263,786.30</b>	

## V Investments Made

### 1. Total Investment Amount

Applicable  Not applicable

Total investment amount in Reporting Period (RMB)	Total investment amount in same period of last year (RMB)	Change (%)
198,399,656.00	326,090,459.58	-39.16%

### 2. Significant Equity Investments Made in Reporting Period

Applicable  Not applicable

### 3. Significant Non-Equity Investments Ongoing in Reporting Period

Applicable  Not applicable

Unit: RMB

Project	Way of investment	Investment in fixed assets or not	Industry	Investment in Reporting Period	Total actual investment as of end of Reporting Period	Funding source	Project progress	Expected income	Total income as of end of Reporting Period	Reason for falling behind schedule or not achieving expected income	Disclosure date (if any)	Index to disclosed information (if any)
Konka Technological Innovation Centre one phase project	Built by the Company itself	Yes	Electronics	2,612,263.42	79,270,077.92	Self-funded, including customer payments	17.62%	To be estimated	0	N/A	30 December 2016	www.cninfo.com.cn
New plant in Dongguan city	Built by the Company itself	Yes	Electronics	0	0	Self-funded	0%	To be estimated	0	N/A	11 March 2017	
Yibin Smart Terminal	Built by the Company	Yes	Electronics	18,000,000	18,000,000	Self-funded	4.86%	To be estimated	0	N/A	22 May 2018	

High-Tech Park	Company itself											
Chengdu Belt and Road Headquarters	Built by the Company itself	Yes	Electronics	0	0	Self-funded	0%	To be estimated	0	N/A	27 June 2018	
Total	--	--	--	20,612,263.42	97,270,077.92	--	--		0	--	--	--

Notes: (1) In regard to the Konka Technological Innovation Centre one phase project, the land use right transfer agreement has been signed, the general plan and the landscaping plan are being approved, and the construction design for Phase I has been completed and is being optimized.

(2) Concerning the Dongguan city's new plant, preparations are underway and the Company is waiting for the local government to put out the project target land for bids.

(3) With respect to the yibin smart terminal high-tech park, the land use right transfer agreement has been signed and the general plan is underway.

(4) As for the Chengdu Belt and Road Headquarters, preparations are underway and the Company is waiting for the local government to put out the project target land for bids.

#### 4. Financial Investments

##### (1) Securities Investments

√ Applicable □ Not applicable

Security type	Security code	Security name	Initial investment cost	Measurement method	Beginning carrying amount	Gain/Loss on fair-value changes in Reporting Period	Accumulated fair-value changes charged to equity	Purchased in Reporting Period	Sold in Reporting Period	Gain/Loss in Reporting Period	Ending carrying amount	Accounting title	Funding source
Domestically/ Overseas listed stock	002915	ZXF C	1,459.61	Fair value method	7,988.13	0.00	0.00	0.00	8,353.60	6,893.99	0.00	Available-for-sale financial assets	New stock subscription
Ditto	300730	KCX X	1,513.16	Ditto	7,520.55	0.00	0.00	0.00	8,282.56	6,769.40	0.00	Ditto	Ditto

Ditto	002920	DSX W	12,537. 88	Ditto	24,025. 82	0.00	0.00	0.00	26,420. 42	13,882. 54	0.00	Ditto	Ditto
Ditto	002919	MCJ K	1,406.7 2	Ditto	3,949.1 2	0.00	0.00	0.00	4,715.2 0	3,308.4 8	0.00	Ditto	Ditto
Ditto	002922	YGE	3,462.3 9	Ditto	4,985.7 3	0.00	0.00	0.00	9,466.4 7	6,004.0 8	0.00	Ditto	Ditto
Ditto	300735	GHK J	5,064.9 3	Ditto	7,295.7 3	0.00	0.00	0.00	14,767. 84	9,702.9 1	0.00	Ditto	Ditto
Ditto	300664	PYH B	5,026.0 8	Ditto	0.00	0.00	0.00	5,02 6.08	13,668. 90	8,642.8 2	0.00	Ditto	Ditto
Ditto	002923	RDG F	3,129.8 4	Ditto	0.00	0.00	0.00	3,12 9.84	8,780.4 8	5,650.6 4	0.00	Ditto	Ditto
Ditto	300684	ZSKJ	1,376.0 0	Ditto	2,397.6 8	0.00	0.00	0.00	9,683.6 0	8,307.6 0	0.00	Ditto	Ditto
Ditto	300733	XLD L	5,160.0 0	Ditto	0.00	0.00	0.00	5,16 0.00	12,000. 00	6,840.0 0	0.00	Ditto	Ditto
Ditto	002925	YQK J	13,095. 00	Ditto	0.00	0.00	0.00	13,0 95.0 0	47,724. 00	34,629. 00	0.00	Ditto	Ditto
Other securities investments held at period-end			0.00	--	0.00	0.00	0.00	0.00	0.00	0.00	0.00	--	--
Total			53,231. 61	--	58,162. 76	0.00	0.00	26,4 10.9 2	163,86 3.07	110,63 1.46	0.00	--	--
Disclosure date of announcement on Board's consent for securities investments								N/A					
Disclosure date of announcement on general meeting's consent for securities investments (if any)								N/A					

## (2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Funding source for derivative investment	U.S. dollar financings
Legal matters involved (if applicable)	N/A
Disclosure date of board announcement approving derivative investment (if any)	24 May 2014
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	10 June 2014

Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	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 prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	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.
Material changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No material changes
Opinion of independent directors on derivative investments 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'0,000

Type of derivative financial instrument	Opening contractual amount	Closing contractual amount	Gain/loss in Reporting Period	Closing investment amount as a percentage of the Company's closing net asset value
Forward forex contract	224,712.77	74,021.85	-2,255.71	9.32%

## VI Sale of Major Assets and Equity Investments

### 1. Sale of Major Assets

Applicable  Not applicable

No such cases in the Reporting Period.

## 2. Sale of Major Equity Investments

√ Applicable □ Not applicable

Counterparty	Equity interests sold	Date of sale	Selling price (RMB' 0,000)	Amount contributed by the equity interests to net income of the Company from period-beginning to date of sale (RMB' 0,000)	Effect of the sale on the Company	Amount contributed by the sale to net income of the Company as a percentage of the Company's net income (%)	Pricing principle	Related transaction or not	Relationship between counterparty and the Company	Ownership fully transferred or not	Executed as scheduled or not, if not, state reason and actions taken	Disclosure date	Index to disclosed information
Suzhou Anze Fuxing Venture Capital Centre (Limited Partnership) and Gongqingcheng Little Cherry Investment Management Partnership	6% interest in Shenzhen Qianhai Qingsong Venture Capital Fund Company (Limited Partnership)	29 March 2018	3,725	0	Optimizing the Company's allocation of assets, generating cash inflows, increasing assets' liquidity and improving the Company	5.04%	Market price	Not	Not related	Yes	N/A	31 March 2018	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

Company (Limited Partnership)					ny's earning s								
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## VII Major Majority- and Minority-Owned Subsidiaries

√ Applicable □ Not applicable

Major majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Core business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Shenzhen Wankaida Science and Technology Co., Ltd.	Subsidiary	Software technology development and maintenance	RMB10000000	121,816,002.76	85,962,617.71	30,150,200.00	28,889,874.28	23,898,735.60
Anhui Konka Tongchuang Household Appliances Co., Ltd.	Subsidiary	Production and sale of refrigerators, washing machines and other household appliances	RMB50200000	1,227,510,711.48	160,106,404.80	1,260,194,032.54	18,893,764.29	19,115,133.11
Anhui Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	RMB14000000	1,406,749,963.99	364,561,791.99	1,732,222,387.44	-10,344,768.50	-8,851,847.71
Shenzhen Konka Telecommunications Technology Co., Ltd.	Subsidiary	Production and sale of mobile communication products	RMB40000000	456,589,040.42	114,374,949.05	236,912,374.91	-7,444,501.78	2,831,121.04
Dongguan	Subsidiary	Production	RMB2666					



Konka Electronic Co., Ltd.		and sale of multimedia products	70000	763,041,669.55	652,719,539.46	220,128,013.35	3,896,083.70	3,218,716.32
Hong Kong Konka Co., Ltd.	Subsidiary	Export & import of electromechanical and electronics	HKD500000	2,062,112,708.48	157,194,765.99	1,902,698,072.57	4,793,554.89	4,851,113.34
Chain Kingdom Co., Limited	Subsidiary	Supply chain management	USD150000	1,405,717,090.58	57,597,008.22	3,256,025,071.58	33,878,617.65	28,291,883.68
Konka Electrical Appliances International Trading.	Subsidiary	Export & import of electromechanical and electronics	HKD500000	1,500,797,452.01	-221,045,157.93	4,071,108,379.48	16,955,358.10	16,955,358.10

## Subsidiaries obtained or disposed in the Reporting Period:

√ Applicable □ Not applicable

Subsidiary	How subsidiary was obtained or disposed in Reporting Period	Effects on overall production and operating results
Anhui Kaikai Shijie E-commerce Co., Ltd.	A 5% interest in this subsidiary was transferred	After the loss of control over Anhui Kaikaijie E-commerce Co., Ltd., the surplus shares were re-measured at fair value, resulting in a large amount of profits.
Kangjietong (Hong Kong) Limited	Incorporated by investment	No significant effects
Yibin Konka Technology Park Operation Co., Ltd.	Incorporated by investment	No significant effects
Shenzhen Konka Electronics Technology Co., Ltd.	Incorporated by investment	No significant effects
Jiixin Technology Co., Ltd.	Incorporated by investment	No significant effects
Jiali International (Hong Kong) Limited	Incorporated by investment	No significant effects
Chengdu Konka Incubator Management Co., Ltd.	Incorporated by investment	No significant effects
Sichuan Konka Smart terminal Technology Co., Ltd	Incorporated by investment	No significant effects
Sichuan Kangjietong Supply Chain Management Co., Ltd.	Incorporated by investment	No significant effects
Konka Suiyong Investment (Shenzhen) Co., Ltd.	Incorporated by investment	No significant effects

Konka Huanjia (Dalian) Environmental Technology Co., Ltd.	Incorporated by investment	No significant effects
Anhui Konka Electrical Appliance Technology Co., Ltd.	Incorporated by investment	No significant effects
Shandong Econ Technology Co., Ltd. and its subsidiaries, including Beijing Econ Runfeng Technology Co., Ltd., Shanghai Jiyi Environmental Technology Co., Ltd., Binzhou Econ Zhongke Environmental Technology Co., Ltd., Laizhou Lairun Holdings Co., Ltd., Econ Environmental Engineering Co., Ltd., Rushan Yike Water Treatment Co., Ltd., Binzhou Weiyijie Environmental Technology Co., Ltd., Yantai Chunzhiran Environmental Technology Co., Ltd., Rushan Econ Beike Technology Incubator Co., Ltd., Fujian Econ Changrun Environmental Protection Co., Ltd., Laizhou Lairun Huayang Heating Co., Ltd., Laizhou Lairun Heating Co., Ltd., Laizhou Lairun Green Energy Co., Ltd., Binzhou Beihai Jingmai Industrial Development Co., Ltd., Yantai Huanhai Xinze Enterprise Management Co., Ltd., Binzhou Weinengda Transport Co., Ltd., Laizhou Binhai Sewage Treatment Co., Ltd. and Laizhou Lairun Environmental Protection Co., Ltd.	A 51% interest in Shandong Econ Technology Co., Ltd. was acquired	No significant effects
GuangDong XingDa HongYe Electronic Co., Ltd. and its subsidiaries, including Shanghai Xinfeng Zhuoqun PCB Co., Ltd. and Zhongshan Zewei Kechuang Investment Management Co., Ltd.	A 51% interest in GuangDong XingDa HongYe Electronic Co., Ltd. was acquired	No significant effects

Information about the major majority- and minority-owned subsidiaries:

None.

## VIII Structured Bodies Controlled by the Company

Applicable  Not applicable

## **IX Performance Forecast for January-September 2018**

Warning of forecast negative net profit for January-September 2018 or considerable YoY change therein, as well as the reasons:

Applicable  Not applicable

## **X Risks Facing the Company and Countermeasures**

The Company's consumer electronics business is seeing a decreased gross profit margin caused by slow growth in demand and increasingly fierce competition in the color TV, white goods and mobile phone markets. In response, the Company will adopt measures including adjusting the hardware product mix, strengthening product competitiveness, enhancing professionalism in user operation, improving Internet operations, and improving internal management.

As for the environmental protection business, the Company is a new comer in this sector. It still needs some time for the newly acquired and invested enterprises to integrate with the Company in operational and management mechanism, resource and corporate culture. And a great number of reserve projects in this business is making more requirements for human resources. Therefore, the Company has started to work on the relevant operational mechanism, improve its monitoring of the majority-owned subsidiaries' operations, and bring in various resources so as to strengthen its operational capabilities in this respect.

## Part V Significant Events

### I Annual and Extraordinary General Meetings Convened during Reporting Period

#### 1. General Meetings Convened during Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Date of resolution disclosure	Index to disclosed resolutions
2017 Annual General Meeting	Annual	32.80%	23 April 2018	24 April 2018	www.cninfo.com.cn
The 1 <sup>st</sup> Extraordinary General Meeting of 2018	Extraordinary	2.52%	3 May 2018	4 May 2018	
The 2 <sup>nd</sup> Extraordinary General Meeting of 2018	Extraordinary	32.85%	7 June 2018	8 June 2018	

#### 2. Extraordinary General Meetings Convened at Request of Preferred Shareholders with Resumed Voting Rights

Applicable  Not applicable

#### II Interim Dividend Plan

Applicable  Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

#### III Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Entities Fulfilled in Reporting Period or Ongoing at Period-End

Applicable  Not applicable

No such cases in the Reporting Period.

#### IV Engagement and Disengagement of Independent Auditor

Are the interim financial statements audited?

Yes  No

The interim financial statements are unaudited.

## V Explanations Given by Board of Directors and Supervisory Committee Regarding Independent Auditor's "Modified Opinion" for Reporting Period

Applicable  Not applicable

## VI Explanations Given by Board of Directors Regarding Independent Auditor's "Modified Opinion" for Last Year

Applicable  Not applicable

## VII Insolvency and Reorganization

Applicable  Not applicable

No such cases in the Reporting Period.

## VIII Legal Matters

Material lawsuits or arbitrations:

Applicable  Not applicable

General information	Involved amount (RMB' 0,000)	Provision	Progress	Decisions and effects	Execution of decisions	Disclosure date	Index to disclosed information
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. Because the involved amount was small, there was no need to fulfil the obligation of information disclosure.							

Other legal matters:

Applicable  Not applicable

## IX Punishments and Rectifications

Applicable  Not applicable

No such cases in the Reporting Period.

## X Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable  Not applicable

## XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable  Not applicable

No such cases in the Reporting Period.

## XII Major Related-Party Transactions

### 1. Continuing Related-Party Transactions

√ Applicable □ Not applicable

Related party	Relationship with the Company	Type of transaction	Specific transaction	Pricing principle	Transaction price	Total value (RMB', 0,000)	As % of total value of all same-type transactions	Approved transaction line (RMB', 0,000)	Over approved line or not	Method of settlement	Obtainable market price for same-type transactions	Disclosure date	Index to disclosed information
OCT Enterprises Co., Ltd and its subsidiaries	Under the same actual controller	Purchase of commodities	Purchase of materials	Negotiated price	Market price	1,349.46	0.31%	2,500	No	Cash	Not applicable	31 March 2018	www.cninfo.com.cn
OCT Enterprises Co., Ltd and its subsidiaries	Under the same actual controller	Sales of goods and services	Sales of LCD	Negotiated price	Market price	570.14	0.11%	3,000	No	Cash	Not applicable		
Total				--	--	1,919.60	--	5,500	--	--	--	--	
Details of large amount of sales returns				N/A									
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 Y2018 on Securities Times, Shanghai Securities News, China Securities Journal and Hong Kong Ta Kung Pao as well as the Internet website designated by CSRC <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> on 31 March 2018. 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 RMB19.1960million.
Reason for major difference between transaction price and reference market price (if applicable)	N/A

## 2. Related-Party Transactions Regarding Purchases or Sales of Assets or Equity Interests

Applicable  Not applicable

The related-party transactions regarding purchases or sales of assets or equity interests during the Reporting Period are shown below.

## 3. Related-Party Transactions Regarding Joint Investments in Third Parties

Applicable  Not applicable

The related-party transactions regarding joint investments in third parties during the Reporting Period are shown below.

## 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	Beginning balance (RMB' 0,000)	Amount newly added in current period (RMB' 0,000)	Amount recovered in current period (RMB' 0,000)	Interest rate	Current interest (RMB' 0,000)	Ending balance (RMB' 0,000)
Naught	Naught	Naught	No	0	0	0	0	0	0
Impact of related credits on the company's operation result and financial condition						Naught			

Liabilities of parties related to account payable

Related party	Relation with the Company	Formation reason	Beginning balance (RMB' 0,000)	Amount newly added in current period (RMB' 0,000)	Amount returned in current period (RMB' 0,000)	Interest rate	Current interest (RMB' 0,000)	Ending balance (RMB' 0,000)
OCT Enterprises Co., Ltd	Controlling share	The company applies entrusted	0	50,000	50,000	4.35%	151	0
OCT Enterprises			0	50,000	0	6.00%	342	50,000

Co., Ltd	holder	loan to it						
OCT Enterprises Co., Ltd			0	140,000	0	6.00%	1,120	140,000
OCT Enterprises Co., Ltd			0	10,000	0	5.40%	26	10,000
Impact of related liabilities on the company's operation result and financial condition		The company applies entrusted loan from OCT Enterprises Co., LTD which meets the needs of the company's existing business development and reduces the financing cost.						

## 5. Other Major Related-Party Transactions

√ Applicable □ Not applicable

(1) The Project of Capital Increase to Yibin OCT Sanjiang Real Estate Co., Ltd.: On 3 May 2018, the 1<sup>st</sup> Extraordinary General Meeting of 2018 passed the Proposal on Capital Increase to Yibin OCT Sanjiang Real Estate Co., Ltd. by voting, and decided to take Shenzhen Konka Telecommunications Technology Co., Ltd., a wholly-owned subsidiary as the main body to contribute RMB80 million to increase capital to Yibin OCT Sanjiang Real Estate Co., Ltd. according to shareholding ratio.

(2) The Project of Transferring Equity of Kunshan Kangsheng Investment Development Co., Ltd.: On 14 June 2018, the 44<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors of the Company deliberated and passed Proposal on Transferring 51% Equity of Kunshan Kangsheng Investment Development Co., and decided that the Company transferred 51% equity of Kunshan Kangsheng Investment Development Co., Ltd. to Taizhou Overseas Chinese Town Co., Ltd., with the transfer price of RMB280,680,300. At present, the Company has received the 50% equity transfer fund from Taizhou Overseas Chinese Town Co., Ltd., and Kunshan Kangsheng Investment Development Co., Ltd. has completed industrial and commercial registration of changes.

(3) Project regarding venture capital platform service: Konka Ventures Development (Shenzhen) Co., Ltd., the majority-owned subsidiary of the Company, signed an agreement with OCT Group and provided venture capital platform service for the latter. OCT Group has paid the service charge of RMB20 million to Konka Ventures Development (Shenzhen) Co., Ltd. The income confirmed by Konka Ventures Development (Shenzhen) Co., Ltd. during the Reporting Period was RMB12,944,983.86.

### Index to the public announcements about the said related-party transactions disclosed

Title of public announcement	Disclosure date	Disclosure website
Announcement about Capital Increase in Sanjiang Real Estate and Related-party Transactions	18 April 2018	www.cninfo.com.cn
Announcement about the Transfer of 51% Equities of Kunshan Kangsheng and Related-party Transactions	16 June 2018	



Announcement about the Progress of the Transfer of 51% Equities of Kunshan Kangsheng	3 July 2018	
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### XIII Occupation of the Company's Capital by Controlling Shareholder or Its Related Parties for Non-Operating Purposes

Applicable  Not applicable

No such cases in the Reporting Period.

### XIV Major Contracts and Their Execution

#### 1. Entrustment, Contracting and Leases

##### (1) Entrustment

Applicable  Not applicable

No such cases in the Reporting Period.

##### (2) Contracting

Applicable  Not applicable

No such cases in the Reporting Period.

##### (3) Leases

Applicable  Not applicable

No such cases in the Reporting Period.

#### 2. Major Guarantees

Applicable  Not applicable

##### (1) Guarantees

Unit: RMB'0,000

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	Executed or not	Guarantee for a related-party or not
Naught	Naught	0	Naught	0	Naught	0	Naught	Naught
Total external guarantee line approved during			100,000	Total actual occurred amount of external				0

the Reporting Period (A1)				guarantee during the Reporting Period (A2)					
Total external guarantee line that has been approved at the end of the Reporting Period (A3)		113,000		Total actual external guarantee balance at the end of the Reporting Period (A4)				0	
Guarantees provided by the Company for its subsidiaries									
Guarantee d party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarant ee amount	Type of guarantee	Period of guara ntee	Execu ted or not	Guaran tee for a related party or not	
Anhui Tongchua ng	31 March 2017 and 31 March 2018	70,000	24 October 2017	6,000	Joint liability	1 year	No	No	
			9 May 2018	4,500	Joint liability	1 year	No	No	
			19 June 2018	3,000	Joint liability	1 year	No	No	
Communi cation technolog y			50,000	5 February 2018	50,000	Joint liability	1 year	No	No
Anhui Konka			110,000	2 May 2018	20,000	Joint liability	1 year	No	No
				1 June 2018	8,000	Joint liability	1 year	No	No
E-display			8,000	20 July 2017	2,000	Joint liability	1 year	No	No
Hong Kong Konka			355,000	28 August 2017	7,056	Joint liability	1 year	No	No
				27 September 2017	3,207	Joint liability	1 year	No	No
				13 October 2017	22,450	Joint liability	1 year	No	No
		31 May 2018		19,243	Joint liability	1 year	No	No	
Konka Factoring		300,000	17 October 2017	50,000	Joint liability	1 year	No	No	
			24 October 2017	20,000	Joint liability	1 year	No	No	
			27 June 2018	14,000	Joint liability	1 year	No	No	
Total guarantee line approved for the subsidiaries during the Reporting Period (B1)			173,200		Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)			118,743	
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)			1,118,000		Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)			229,456	
Guarantees provided by the subsidiaries for their subsidiaries									

Guarantee d party	Disclosure date of relevant announcement	Amount for guarant ee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarante e	Period of guarant ee	Executed or not	Guarantee for a related party or not
Sichuan Konka	30 May 2018	14,000	28 May 2018	14,000	Joint liability	7 years	No	No
Rushan Econ		29,000	29 Dec 2016	29,000	Joint liability	10years	No	No
Total guarantee line approved for the subsidiaries during the Reporting Period (C1)			14,000	Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (C2)			14,000	
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (C3)			43,000	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (C4)			43,000	
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)			287,200	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)			132,743	
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)			1,274,000	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			272,456	
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company				34.31%				
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)						272,456		
Total guarantee amount exceeded 50% of the net assets (F)						0		
Total amount of the above three guarantees (D+E+F)						272,456		
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		

Note: Shandong Econ Technology Co., Ltd., acquired by the Company during the Reporting Period, provided a joint-liability guarantee for the RMB0.29 billion project loan for its majority-owned subsidiary Rushan Yike Water Treatment Co., Ltd. on 27 December 2016.

Explanation on guarantee that adopts complex method

N/A

**(2) Illegal Provision of Guarantees for External Parties**

□ Applicable √ Not applicable

No such cases in the Reporting Period.

**3. Other Major Contracts**

□ Applicable √ Not applicable

No such cases in the Reporting Period.

**XV Corporate Social Responsibility (CSR)****1. Material Environmental Issues**

Is the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities?

Yes

Name of Company or subsidiary	Name of Main Pollutant and Distinctive Pollutant	Discharge Method	Quantity of Emission Outlet	Distribution Information of Emission Outlet	Emission Concentration	Executed Emission Standard of Pollutant	Total Weight of Emission	Approved Total Weight of Emission	Excessive Emission Condition
Guangdong Xingda Hongye Electronic Co., Ltd	Pollution sources of waste water: PH, Copper, COD, and Ammonia nitrogen	Discharge directly (to Fusha Surge)	1	Total outlet of waste water treatment station	PH6-9; copper≤0.5mg/L; COD≤80mg/L; ammonia nitrogen≤15mg/L	Table 1 in Emission standard of electroplating water pollutants DB44/1597-2015	Annual waste water: 448,500 t/year	COD27.9 t/year; ammonia nitrogen 6.727t/year	Naught
	Waste gas pollutants : sulfuric acid mist, chlorine hydride, Formaldehyde, hydrogen cyanide,	Discharge of fixed pollution sources	14	3 outlets on the roof of the No. 1 factory, 10 outlets on the roof of	sulfuric acid mist<30mg/m <sup>3</sup> ; NO <sub>x</sub> <200mg/m <sup>3</sup> ; chlorine hydride <30mg/m <sup>3</sup> ; VOCS<90mg/m <sup>3</sup> ; benzene<12mg/m <sup>3</sup> ;	Emission limits of air pollutants Table 5 in Emission standard of electroplating pollutants GB21900-2008, the second	3,027,360,000m <sup>3</sup> /year	2,953,000,000m <sup>3</sup> /year in Pollutants Discharge License of 2017, no specific	Naught

NOx, Ammonia , benzene, methylbe nzene, xylene, and VOCs			the No. 2 factory, and 1 outlet on the roof of the canteen	methylbenzene <40mg/m <sup>3</sup> ; xylene< 70mg/m <sup>3</sup> ;	level standard in phase 2 of Emission standard of Air Pollutants in Guangdong DB44/27-2001 , and standard in Table 2 in Emission standard of Stink Pollutants (GB 14554-1993)		details in the latest National Pollutant s Discharg e License of 2018	
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### (1) The Construction of Anti-pollution Facilities and Its Operation Situation

All production equipment of the Company shall be set up with supporting environmental protection facilities according to the requirements of environmental impact assessment. The discharge of wastewater, waste gas and noise in the Company all met with the standards, as well as the dispose of all solid wastes, during the reporting period.

The Investment of Guangdong Xingda Hongye Electronics Co., Ltd.: The sewage treatment centre with an investment of about RMB15 million was formally put into production in June 2007, and the treatment capacity of the sewage treatment facility was 2566 tons/day. The wastewater environmental protection facilities have been operated well with the discharge of main pollutants meeting with the acceptance criteria, during the reporting period.

### (2) Environmental Impact Assessment and Other Environmental Protection Administrative Licenses of the Construction Project

The technical innovation and expansion projects of Guangdong Xingda Hongye Electronics Co., Ltd. have been approved by Zhongshan Environmental Protection Bureau, Guangdong on 31 December 2012 (Zhongshan Environmental Protection Bureau Construction Notice [2012] No. 115), and have been checked and accepted by Zhongshan Environmental Protection Bureau, Guangdong on 21 December 2012. (Zhongshan Environmental Protection Bureau Acceptance Report [2012] No. 000092), with a sewage permit, certificate No.: 91442000768405216J001P.

### (3) Contingency Plan for Emergent Environmental Incident

Guangdong Xingda Hongye Electronics Co., Ltd. has formulated the Contingency Plan for Emergent Environmental Incident strictly abided by requirements of laws and regulations, such as Law of the People's Republic of China on Emergency Response and Interim Measures on Environmental Emergency Response Plan, and put on records at Zhongshan Environmental Protection Bureau, Guangdong.

#### (4) Environmental Self-Monitoring Plan

According to the requirements of the Environmental Protection Administration, Guangdong Xingda Hongye Electronics Co., Ltd. pays high attention to environmental monitoring management, so as to formulate the Environmental Self-Monitoring Plan and report to the municipal environmental protection bureau for approval and record. It implements online monitoring for the PH, COD and ammonia nitrogen pollutants discharged in wastewater with the automatic frequency of every 2 hours and entrusts the qualified third-party institute to carry out regular maintenance on automatic monitoring equipment and monitoring data networking equipment. The self-monitoring results will be reported daily to the public on the national pollution source monitoring information management and sharing platform and monitored by the public.

#### (5) Other Environmental Information That Should Be Disclosed

The environmental protection investment of Guangdong Xingda Hongye Electronics Co., Ltd. was about RMB6.28 million in the first half of 2018, mainly used as the environmental engineering investment (about RMB3.5 million) and the operation of environmental protection equipment (about RMB2.78 million).

#### (6) Other Environmental Information

According to the examination by the Company, the Company and its other holding subsidiaries are not key pollutant units. All have faithfully implemented the laws and regulations related to environmental protection, such as Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste in the daily production and operation, without being punished for violations of laws and regulations during the reporting period.

## **2. Measures Taken for Targeted Poverty Alleviation**

### **(1) Plan for Targeted Measures**

The Company and the China Youth Development Foundation (CYDF) have jointly held the large public benefit activity “Heart Journey” since 2013. Five sessions of activities have been held until now. In 2013, we helped thousands of migrant workers to go home. In 2014, we 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 donated nearly 100 music classrooms to the remote regions of China by carrying out “Happy Music Classroom” Project with CYDF. In 2016, we sponsored the professional training of 100 music teachers in remote areas to promote the construction of teaching staff in poverty-stricken areas. In 2017, the activities of “Heart Journey” focused on affectionate care for families of left-behind children in poverty-stricken areas. We

helped 100 left-behind children to come to cities to reunite with their parents during the summer vacation, and donated houses named Konka Heart Journey Family in schools in western areas.

## (2) Outline of Targeted Measures in the Reporting Period

In the first half year of 2018, the activity of “Heart Journey” is still in the planning, and not carried out officially.

## (3) Results of Targeted Measures

Naught

## (4) Subsequent Targeted Measure Plans

The Company and the China Youth Development Foundation (CYDF) will continue to hold a series of public benefit activity “Heart Journey”.

## XVI. Other Significant Events

√ Applicable □ Not applicable

(1) Project regarding founding a company for multimedia business: On 17 November 2017, the 37<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors of the Company reviewed and approved the *Proposal on Founding a Company for Multimedia Business of Konka*. So far, Shenzhen Konka Electronics Technology Co., Ltd. has been formally established and going into operation. The Company is in the process of business switching and asset introduction.

(2) The Project of Working with China Orient Asset Management (International) Holding Limited to Plan to Establish an Industrial Fund and Conduct Strategic Cooperation: On 16 April 2018, the 41<sup>st</sup> Meeting of the 8<sup>th</sup> Board of Directors of the Company deliberated and passed the Proposal on Launching the Establishment of China Orient Konka Industry M&A Fund, and the fund is currently in the process of filing.

(3) The Project of Listing Transfer of Shanghai Real Estate: On 23 August 2017, the 34<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors of the Company deliberated and passed the Proposal on Listing Transfer of Part Real Estate on the. At present, the Shanghai Real Estate to be listed for transfer has been officially listed, and is currently in the publicity period.

(4) Signed a Strategic Cooperation Agreement with the Chuzhou Municipal Government: On 27 June 2018, the 45<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors of the Company deliberated and passed the Proposal on Investment in the Construction of the Second Phase of Konka Science and Technology Innovation Centre in Chuzhou. At present, the second phase of the Science and Technology Centre project has won the bid for the project land and other projects are still under negotiation.

Announcement No.	Date	Title	Page on newspaper	Link
				Link on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2018-01	3 January 2018	Announcement on Receiving the Grants of Zombie Enterprises	Securities Times B5, Ta Kung Pao B1	<a href="http://www.cninfo.com.cn/finalpage/2018-01-03/1204299322.PDF">http://www.cninfo.com.cn/finalpage/2018-01-03/1204299322.PDF</a>

2018-02	4 January 2018	Announcement on Restructuring and Renaming of Controlling Shareholders and the Changes of Relevant of Business Registration Events	Securities Times B44, Ta Kung Pao A20	<a href="http://www.cninfo.com.cn/finalpage/2018-01-04/1204302079.PDF">http://www.cninfo.com.cn/finalpage/2018-01-04/1204302079.PDF</a>
2018-03	4 January 2018	Announcement on Recognition of Disclosure Fee	Securities Times B44, Ta Kung Pao A20	<a href="http://www.cninfo.com.cn/finalpage/2018-01-04/1204302080.PDF">http://www.cninfo.com.cn/finalpage/2018-01-04/1204302080.PDF</a>
2018-04	4 January 2018	Announcement on Majority-owned Subsidiary' receiving of the Government Subsidies	Securities Times B44, Ta Kung Pao A20	<a href="http://www.cninfo.com.cn/finalpage/2018-01-04/1204302081.PDF">http://www.cninfo.com.cn/finalpage/2018-01-04/1204302081.PDF</a>
2018-05	19 January 2018	Announcement on the Planned Listing to Transfer the Shares of Qingsong Venture Investment Fund	Securities Times B148, Ta Kung Pao B2	<a href="http://www.cninfo.com.cn/finalpage/2018-01-19/1204342883.PDF">http://www.cninfo.com.cn/finalpage/2018-01-19/1204342883.PDF</a>
2018-06	25 January 2018	Announcement on the Changes of Consulting Telephone of the Company' s Investors	Securities Times B28, Ta Kung Pao B1	<a href="http://www.cninfo.com.cn/finalpage/2018-01-25/1204358631.PDF">http://www.cninfo.com.cn/finalpage/2018-01-25/1204358631.PDF</a>
2018-07	26 January 2018	Announcement on the 2017 Earnings Forecasts	Securities Times B25, Ta Kung Pao B5	<a href="http://www.cninfo.com.cn/finalpage/2018-01-26/1204362267.PDF">http://www.cninfo.com.cn/finalpage/2018-01-26/1204362267.PDF</a>
2018-08	20 March 2018	Announcement about the Progress of the Planned Listing to Transfer the Shares of Qingsong Venture Investment Fund	Securities Times B40, Ta Kung Pao B3	<a href="http://www.cninfo.com.cn/finalpage/2018-03-20/1204488812.PDF">http://www.cninfo.com.cn/finalpage/2018-03-20/1204488812.PDF</a>
2018-09	24 March 2018	Announcement on Receiving the Tax Reimbursement Events	Securities Times B177, Ta Kung Pao B1	<a href="http://www.cninfo.com.cn/finalpage/2018-03-24/1204510528.PDF">http://www.cninfo.com.cn/finalpage/2018-03-24/1204510528.PDF</a>
2018-10	31 March 2018	Announcement on the 2017 Annual Report		<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553590.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553590.PDF</a>
2018-11	31 March 2018	Announcement on the Abstract of the 2017 Annual Report	Securities Times B253, Ta Kung Pao A18	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553579.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553579.PDF</a>
2018-12	31 March 2018	Announcement on the Resolution of the 40 <sup>th</sup> Meeting of the 8 <sup>th</sup> Board of Directors	Securities Times B253, Ta Kung Pao A18	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553581.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553581.PDF</a>
2018-13	31 March 2018	Announcement on the Resolution of the 17 <sup>th</sup> Meeting of the 8 <sup>th</sup> Supervisory Committee	Securities Times B253, Ta Kung Pao A18	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553582.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553582.PDF</a>
2018-14	31 March 2018	Announcement on the Expectation of the 2018 Routine Related Transaction	Securities Times B253, Ta Kung Pao	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553583.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553583.PDF</a>



			A18	
2018-15	31 March 2018	Announcement about the External Guarantee of Konka Group Co., Ltd.	Securities Times B253, Ta Kung Pao A18	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553584.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553584.PDF</a>
2018-16	31 March 2018	Announcement on the Changes of Part of Accounting Policies	Securities Times B254, Ta Kung Pao A18	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553585.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553585.PDF</a>
2018-17	31 March 2018	Announcement about Offering Entrusted Loans to Majority-owned Subsidiary	Securities Times B254, Ta Kung Pao A18	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553586.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553586.PDF</a>
2018-18	31 March 2018	Notice on Convening the 2017 Annual General Meeting	Securities Times B254, Ta Kung Pao A19	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553580.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553580.PDF</a>
2018-19	31 March 2018	Announcement on the Completion of Industrial and Commercial Registration of Changes of Transferring the Shares of Qingsong Venture Investment Fund	Securities Times B254, Ta Kung Pao A19	<a href="http://www.cninfo.com.cn/finalpage/2018-03-31/1204553587.PDF">http://www.cninfo.com.cn/finalpage/2018-03-31/1204553587.PDF</a>
2018-20	10 April 2018	Announcement on Majority-owned Subsidiary' receiving of the Government Subsidies	Securities Times B40, Ta Kung Pao B6	<a href="http://www.cninfo.com.cn/finalpage/2018-04-10/1204593954.PDF">http://www.cninfo.com.cn/finalpage/2018-04-10/1204593954.PDF</a>
2018-21	14 April 2018	Announcement on the 2018 First Quarter Earnings Forecasts	Securities Times B48, Ta Kung Pao B3	<a href="http://www.cninfo.com.cn/finalpage/2018-04-14/1204624897.PDF">http://www.cninfo.com.cn/finalpage/2018-04-14/1204624897.PDF</a>
2018-22	18 April 2018	Announcement on the Resolution of the 41 <sup>st</sup> Meeting of the 8 <sup>th</sup> Board of Directors	Securities Times B37, Ta Kung Pao B9	<a href="http://www.cninfo.com.cn/finalpage/2018-04-18/1204646424.PDF">http://www.cninfo.com.cn/finalpage/2018-04-18/1204646424.PDF</a>
2018-23	18 April 2018	Notice on Convening the 1 <sup>st</sup> Extraordinary General Meeting of 2018	Securities Times B37, Ta Kung Pao B9	<a href="http://www.cninfo.com.cn/finalpage/2018-04-18/1204646425.PDF">http://www.cninfo.com.cn/finalpage/2018-04-18/1204646425.PDF</a>
2018-24	18 April 2018	Announcement about Capital Increase in Sanjiang Real Estate and Related-party Transactions	Securities Times B37, Ta Kung Pao B9	<a href="http://www.cninfo.com.cn/finalpage/2018-04-18/1204646430.PDF">http://www.cninfo.com.cn/finalpage/2018-04-18/1204646430.PDF</a>
2018-25	18 April 2018	Announcement on Sponsoring the Establishment of Industrial Buyout Fund	Securities Times B37, Ta Kung Pao B9	<a href="http://www.cninfo.com.cn/finalpage/2018-04-18/1204646426.PDF">http://www.cninfo.com.cn/finalpage/2018-04-18/1204646426.PDF</a>
2018-26	24 April 2018	Announcement on the Resolution of the 2017 Annual General Meeting	Securities Times B189, Ta Kung Pao B5	<a href="http://www.cninfo.com.cn/finalpage/2018-04-24/1204700352.PDF">http://www.cninfo.com.cn/finalpage/2018-04-24/1204700352.PDF</a>

2018-27	28 April 2018	2018 First Quarter Report		<a href="http://www.cninfo.com.cn/finalpage/2018-04-28/1204821265.PDF">http://www.cninfo.com.cn/finalpage/2018-04-28/1204821265.PDF</a>
2018-28	28 April 2018	Text of the 2018 First Quarter Report	Securities Times B44, Ta Kung Pao B14	<a href="http://www.cninfo.com.cn/finalpage/2018-04-28/1204821263.PDF">http://www.cninfo.com.cn/finalpage/2018-04-28/1204821263.PDF</a>
2018-29	4 May 2018	Announcement on the Resolution of the 1 <sup>st</sup> Extraordinary General Meeting of 2018	Securities Times B16, Ta Kung Pao B5	<a href="http://www.cninfo.com.cn/finalpage/2018-05-04/1204906066.PDF">http://www.cninfo.com.cn/finalpage/2018-05-04/1204906066.PDF</a>
2018-30	8 May 2018	Announcement about the Progress of External Guarantee	Securities Times B28, Ta Kung Pao B6	<a href="http://www.cninfo.com.cn/finalpage/2018-05-08/1204918242.PDF">http://www.cninfo.com.cn/finalpage/2018-05-08/1204918242.PDF</a>
2018-31	22 May 2018	Announcement on Signing the Strategic Cooperation Agreement with Chuzhou Municipal Government	Securities Times B25, Ta Kung Pao A17	<a href="http://www.cninfo.com.cn/finalpage/2018-05-22/1204979369.PDF">http://www.cninfo.com.cn/finalpage/2018-05-22/1204979369.PDF</a>
2018-32	22 May 2018	Outline of Medium and Long-term Development Strategy Programming	Securities Times B25, Ta Kung Pao A17	<a href="http://www.cninfo.com.cn/finalpage/2018-05-22/1204979370.PDF">http://www.cninfo.com.cn/finalpage/2018-05-22/1204979370.PDF</a>
2018-33	23 May 2018	Announcement on the Resolution of the 43 <sup>rd</sup> Meeting of the 8 <sup>th</sup> Board of Directors	Securities Times B17, Ta Kung Pao B4	<a href="http://www.cninfo.com.cn/finalpage/2018-05-23/1204981920.PDF">http://www.cninfo.com.cn/finalpage/2018-05-23/1204981920.PDF</a>
2018-34	23 May 2018	Announcement on Offering Guarantee Limit to the Wholly-owned Subsidiary	Securities Times B17, Ta Kung Pao B4	<a href="http://www.cninfo.com.cn/finalpage/2018-05-23/1204981921.PDF">http://www.cninfo.com.cn/finalpage/2018-05-23/1204981921.PDF</a>
2018-35	23 May 2018	Announcement on the Private Placement of Corporate Bond Programming by the Company	Securities Times B17, Ta Kung Pao B4	<a href="http://www.cninfo.com.cn/finalpage/2018-05-23/1204981927.PDF">http://www.cninfo.com.cn/finalpage/2018-05-23/1204981927.PDF</a>
2018-36	23 May 2018	Announcement on Carrying out the Business of Asset Securitization of Business Factoring by the wholly-owned Subsidiary	Securities Times B17, Ta Kung Pao B4	<a href="http://www.cninfo.com.cn/finalpage/2018-05-23/1204981922.PDF">http://www.cninfo.com.cn/finalpage/2018-05-23/1204981922.PDF</a>
2018-37	23 May 2018	Announcement on Carrying out the Business of Asset Securitization of Accounts Receivable	Securities Times B17, Ta Kung Pao B4	<a href="http://www.cninfo.com.cn/finalpage/2018-05-23/1204981923.PDF">http://www.cninfo.com.cn/finalpage/2018-05-23/1204981923.PDF</a>
2018-38	23 May 2018	Notice on Convening the 2 <sup>nd</sup> Extraordinary General Meeting of 2018	Securities Times B17, Ta Kung Pao B4	<a href="http://www.cninfo.com.cn/finalpage/2018-05-23/1204981924.PDF">http://www.cninfo.com.cn/finalpage/2018-05-23/1204981924.PDF</a>
2018-39	25 May 2018	Announcement on Signing the Strategic Cooperation Agreement with CMS Zhiyuan Capital	Securities Times B32, Ta Kung Pao B8	<a href="http://www.cninfo.com.cn/finalpage/2018-05-25/1204999668.PDF">http://www.cninfo.com.cn/finalpage/2018-05-25/1204999668.PDF</a>

2018-40	29 May 2018	Announcement on the Implementation of Dividend Plan of 2017	Securities Times B114, Ta Kung Pao B14	<a href="http://www.cninfo.com.cn/finalpage/2018-05-30/1205014254.PDF">http://www.cninfo.com.cn/finalpage/2018-05-30/1205014254.PDF</a>
2018-41	29 May 2018	Announcement on the wholly-owned subsidiary's Offering Guarantee to Majority-owned Subsidiary	Securities Times B114, Ta Kung Pao B14	<a href="http://www.cninfo.com.cn/finalpage/2018-05-30/1205014255.PDF">http://www.cninfo.com.cn/finalpage/2018-05-30/1205014255.PDF</a>
2018-42	31 May 2018	Announcement on the Controlling Shareholders' Planning of Providing the Business of Asset Securitization of Business Factoring with the Difference	Securities Times B100, Ta Kung Pao B5	<a href="http://www.cninfo.com.cn/finalpage/2018-06-01/1205021832.PDF">http://www.cninfo.com.cn/finalpage/2018-06-01/1205021832.PDF</a>
2018-43	8 June 2018	Announcement on the Resolution of the 2 <sup>nd</sup> Extraordinary General Meeting of 2018	Securities Times B40, Ta Kung Pao B5	<a href="http://www.cninfo.com.cn/finalpage/2018-06-08/1205044244.PDF">http://www.cninfo.com.cn/finalpage/2018-06-08/1205044244.PDF</a>
2018-44	14 June 2018	Announcement on Offering Overseas Loan under Domestic Guarantee to Foreign Wholly-owned Subsidiary	Securities Times B36, Ta Kung Pao B2	<a href="http://www.cninfo.com.cn/finalpage/2018-06-14/1205057941.PDF">http://www.cninfo.com.cn/finalpage/2018-06-14/1205057941.PDF</a>
2018-45	16 June 2018	Announcement on the Resolution of the 44 <sup>th</sup> Meeting of the 8 <sup>th</sup> Board of Directors	Securities Times B29, Ta Kung Pao B6	<a href="http://www.cninfo.com.cn/finalpage/2018-06-16/1205062957.PDF">http://www.cninfo.com.cn/finalpage/2018-06-16/1205062957.PDF</a>
2018-46	16 June 2018	Announcement about the Transfer of 51% Equities of Kunshan Kangsheng and Related-party Transactions	Securities Times B29, Ta Kung Pao B6	<a href="http://www.cninfo.com.cn/finalpage/2018-06-16/1205062958.PDF">http://www.cninfo.com.cn/finalpage/2018-06-16/1205062958.PDF</a>
2018-47	16 June 2018	Indicative Announcement on the Expectation of Winning the Bid of the Project	Securities Times B4, Ta Kung Pao B6	<a href="http://www.cninfo.com.cn/finalpage/2018-06-16/1205064576.PDF">http://www.cninfo.com.cn/finalpage/2018-06-16/1205064576.PDF</a>
2018-48	20 June 2018	Announcement about the Progress of Offering Guarantees to the wholly-owned subsidiary	Securities Times B52, Ta Kung Pao B1	<a href="http://www.cninfo.com.cn/finalpage/2018-06-21/1205077958.PDF">http://www.cninfo.com.cn/finalpage/2018-06-21/1205077958.PDF</a>
2018-49	22 June 2018	Announcement about the Progress of Offering Guarantees to the Majority-owned Subsidiary	Securities Times B29, Ta Kung Pao B6	<a href="http://www.cninfo.com.cn/finalpage/2018-06-22/1205079784.PDF">http://www.cninfo.com.cn/finalpage/2018-06-22/1205079784.PDF</a>
2018-50	28 June 2018	Announcement on the Resolution of the 45 <sup>th</sup> Meeting of the 8 <sup>th</sup> Board of Directors	Securities Times B44, Ta Kung Pao B7	<a href="http://www.cninfo.com.cn/finalpage/2018-06-28/1205099880.PDF">http://www.cninfo.com.cn/finalpage/2018-06-28/1205099880.PDF</a>
2018-51	28 June 2018	Announcement on the Investment and Establishment of Headquarter Base of Konka One Belt and One Road in Chengdu	Securities Times B44, Ta Kung Pao B7	<a href="http://www.cninfo.com.cn/finalpage/2018-06-28/1205099881.PDF">http://www.cninfo.com.cn/finalpage/2018-06-28/1205099881.PDF</a>
2018-52	28 June	Announcement on Information	Securities Times	<a href="http://www.cninfo.com.cn/finalpage/2018-06-28/1205099881.PDF">http://www.cninfo.com.cn/finalpage/2018-06-28/1205099881.PDF</a>

	2018	Disclosure of Voluntariness of Receiving Letter of Acceptance	B44, Ta Kung Pao B7	18-06-28/1205099882.PDF
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## XVII. Significant Events of Subsidiaries

Applicable  Not applicable

## Part VI Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	19,500	0.00%						19,500	0.00%
1.3 Shares held by other domestic investors	19,500	0.00%						19,500	0.00%
Among which: Shares held by domestic legal persons									
Shares held by domestic natural persons	19,500	0.00%						19,500	0.00%
2. Unrestricted shares	2,407,925,908	100%						2,407,925,908	100%
2.1 RMB-denominated ordinary shares	1,596,574,300	66.31%						1,596,574,300	66.31%
2.2 Domestically listed foreign shares	811,351,608	33.69%						811,351,608	33.69%
3. Total shares	2,407,945,408	100%						2,407,945,408	100%

Reasons for share changes:

 Applicable  Not applicable

Approval of share changes:

 Applicable  Not applicable

Transfer of share ownership:

Applicable  Not applicable

Effects of share changes on the basic earnings per share, diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable  Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

## II Issuance and Listing of Securities

Applicable  Not applicable

## III Shareholders and Their Holdings at Period-End

Unit: share

Number of ordinary shareholders		87,774		Number of preferred shareholders with resumed voting rights (if any) (see note 8)			0	
5% or greater ordinary shareholders or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Ordinary shares	Increase/decrease in Reporting Period	Restricted ordinary shares	Unrestricted ordinary shares	Shares in pledge or frozen	
							Status	Shares
OVERSEAS CHINESE TOWN ENTERPRISES CO., LTD	State-owned legal person	21.75%	523,746,932	0	0	523,746,932		
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	Foreign legal person	7.56%	182,100,202	0	0	182,100,202		
HOLY TIME GROUP LIMITED	Foreign legal person	2.33%	56,039,500	-10,324	0	56,039,500		
GUOYUAN SECURITIES BROKER (HK) CO., LTD.	Foreign legal person	2.25%	54,203,779	-551,366	0	54,203,779		
GAOLING FUND,L.P.	Foreign	2.19%	52,801,250	0	0	52,801,250		

	legal person							
WANG LEI	Domestic natural person	1.52%	36,715,300	-9,394,541	0	36,715,300		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned legal person	0.94%	22,665,024	833,004	0	22,665,024		
NAM NGAI	Domestic natural person	0.90%	21,712,140	-307,900	0	21,712,140		
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	Other	0.88%	21,145,380	928,520	0	21,145,380		
ZHANG XIAOYU	Domestic natural person	0.85%	20,476,618	20,476,618	0	20,476,618		
Strategic investor or general legal person becoming top-10 ordinary shareholder due to rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties among shareholders above	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder Overseas Chinese Town Enterprises Co. ("OCT Group" for short), holds 180,001,110 and 18,360,000 ordinary shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Jialong Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or acting-in-concert parties or not.							
Top 10 unrestricted ordinary shareholders								
Name of shareholder	Unrestricted ordinary shares	Type of shares						
		Type	Shares					
OVERSEAS CHINESE TOWN ENTERPRISES CO., LTD	523,746,932	RMB-denominated ordinary stock	523,746,932					
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	182,100,202	Domestically listed foreign stock	182,100,202					
HOLY TIME GROUP LIMITED	56,039,500	Domestically listed foreign stock	56,039,500					

GUOYUAN SECURITIES BROKER (HK) CO., LTD.	54,203,779	Domestically listed stock	foreign stock	54,203,779
GAOLING FUND, L.P.	52,801,250	Domestically listed stock	foreign stock	52,801,250
WANG LEI	36,715,300	RMB-denominated ordinary stock		36,715,300
CHINA MERCHANTS SECURITIES (HK) LIMITED	22,665,024	Domestically listed stock	foreign stock	22,665,024
NAM NGAI	21,712,140	Domestically listed stock	foreign stock	21,712,140
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	21,145,380	RMB-denominated ordinary stock		21,145,380
ZHANG XIAOYU	20,476,618	RMB-denominated ordinary stock		20,476,618
Related or acting-in-concert parties among top 10 unrestricted ordinary shareholders, as well as between top 10 unrestricted ordinary shareholders and top 10 ordinary shareholders	Jialong Investment Limited, a wholly-funded subsidiary of the Company's first majority shareholder Overseas Chinese Town Enterprises Co. ("OCT Group" for short), holds 180,001,110 and 18,360,000 common shares in the Company respectively through CITIC Securities Brokerage (Hong Kong) Co., Ltd. and China Merchants Securities (HK) Limited. Jialong Investment Limited and Overseas Chinese Town Enterprises Co. are parties acting in concert. Other than that, it is unknown whether the other shareholders are related parties or acting-in-concert parties or not.			
Top 10 ordinary shareholders conducting securities margin trading (if any) (see note 4)	Wang Lei holds 36,715,300 A-shares in the Company through his account of collateral securities for margin trading in GF Securities Co., Ltd. Zhang Xiaoyu holds 20,476,618 A-shares in the Company through her account of collateral securities for margin trading in Huaxi Securities Co., Ltd.			

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory report during this Reporting Period.

Yes  No

No such cases in this Reporting Period.

#### IV Change of Controlling Shareholder or Actual Controller in Reporting Period

Change of the controlling shareholder in the Reporting Period:



Applicable  Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

Applicable  Not applicable

The actual controller remained the same in the Reporting Period.

## Part VII Preferred Shares

Applicable  Not applicable

No preferred shares in the Reporting Period.

## **Part VIII Directors, Supervisors and Senior Management**

### **I Changes in Shareholdings of Directors, Supervisors and Senior Management**

Applicable  Not applicable

There was no change in shareholding of Directors, Supervisors, Senior Management Staffs and Employees, for details, please refer to 2017 Annual Report

### **II Change of Directors, Supervisors and Senior Management**

Applicable  Not applicable

There was no change in Directors, Supervisors, Senior Management Staffs and Employees, for details, please refer to 2017 Annual Report

## **Part IX Corporate Bonds**

Does the Company have any corporate bonds publicly offered on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full?

No.

## Part X Financial Statements

### I Independent Auditor's Report

Is this interim financial report audited by an independent auditor?

Yes  No

This interim financial report is unaudited by such an auditor.

### II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

#### 1. Consolidated Balance Sheet

Prepared by Konka Group Co., Ltd.

30 June 2018

Unit: RMB

Item	30 June 2018	31 December 2017
Current assets:		
Monetary assets	3,911,820,154.60	3,212,044,851.08
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	14,497,221.94	296,799.53
Derivative financial assets		
Notes receivable	4,615,251,240.57	5,178,668,988.23
Accounts receivable	4,428,390,613.21	3,443,095,947.26
Prepayments	901,453,498.53	467,123,091.74
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable	5,717,301.31	1,813,256.77
Dividends receivable		
Other receivables	602,976,440.35	182,405,099.39
Financial assets purchased under resale agreements		
Inventories	4,854,235,062.74	4,690,363,565.53
Assets classified as held for sale		
Current portion of non-current assets		

Other current assets	1,845,595,871.52	1,715,326,868.81
Total current assets	21,179,937,404.77	18,891,138,468.34
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	692,112,236.33	712,170,399.09
Held-to-maturity investments		
Long-term receivables	345,206,723.50	
Long-term equity investments	2,187,539,867.00	1,319,987,343.74
Investment property	213,639,992.84	216,455,629.99
Fixed assets	1,789,101,811.32	1,587,170,348.35
Construction in progress	120,644,724.53	135,863,821.01
Engineering materials		
Proceeds from disposal of fixed assets		
Productive living assets		
Oil and gas assets		
Intangible assets	412,349,807.84	205,057,773.69
R&D expense		
Goodwill	506,030,181.63	3,597,657.15
Long-term prepaid expense	168,727,536.93	150,060,937.30
Deferred income tax assets	447,191,781.88	307,942,263.12
Other non-current assets	71,521,808.37	29,290,828.00
Total non-current assets	6,954,066,472.17	4,667,597,001.44
Total assets	28,134,003,876.94	23,558,735,469.78
Current liabilities:		
Short-term borrowings	10,397,447,703.32	6,927,472,037.35
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss	1,827,480.43	47,482,470.50
Derivative financial liabilities		
Notes payable	926,402,659.29	541,175,312.09
Accounts payable	3,698,545,344.05	3,612,216,266.59
Advances from customers	936,672,416.32	640,510,784.17
Financial assets sold under repurchase agreements		

Handling charges and commissions payable		
Payroll payable	197,104,499.84	291,370,297.67
Taxes payable	198,493,151.37	1,326,569,094.53
Interest payable	44,957,010.99	35,723,963.94
Dividends payable		
Other payables	2,374,301,159.44	1,608,359,305.87
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	10,165,596.84	374,358.99
Other current liabilities		
Total current liabilities	18,785,917,021.89	15,031,253,891.70
Non-current liabilities:		
Long-term borrowings	501,000,000.00	167,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables	11,631,339.65	61,538.46
Long-term payroll payable	11,440,243.54	13,361,821.86
Specific payables		
Provisions	1,552,310.49	6,181,865.10
Deferred income	130,861,490.43	130,049,911.87
Deferred income tax liabilities	64,138,889.89	12,636,633.40
Other non-current liabilities		
Total non-current liabilities	720,624,274.00	329,291,770.69
Total liabilities	19,506,541,295.89	15,360,545,662.39
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	104,732,242.30	104,732,242.30

Less: Treasury shares		
Other comprehensive income	-1,154,381.79	3,697,458.95
Specific reserve		
Surplus reserves	1,217,644,874.79	1,217,644,874.79
General reserve		
Retained earnings	4,211,831,396.96	4,260,125,492.57
Total equity attributable to owners of the Company as the parent	7,940,999,540.26	7,994,145,476.61
Non-controlling interests	686,463,040.79	204,044,330.78
Total owners' equity	8,627,462,581.05	8,198,189,807.39
Total liabilities and owners' equity	28,134,003,876.94	23,558,735,469.78

Legal representative: Liu Fengxi

CFO: Li Chunlei

Head of the financial department: Feng Junxiu

## 2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2018	31 December 2017
Current assets:		
Monetary assets	1,745,554,700.43	1,760,838,390.83
Financial assets at fair value through profit or loss	14,497,221.94	296,799.53
Derivative financial assets		
Notes receivable	2,497,170,749.31	2,864,064,309.99
Accounts receivable	4,511,624,049.28	4,732,153,992.25
Prepayments	1,646,569,512.18	1,066,260,182.37
Interest receivable	2,606,829.77	23,894,771.88
Dividends receivable		2,690,276.72
Other receivables	3,487,600,787.78	4,314,882,334.26
Inventories	1,584,221,574.12	2,090,697,937.23
Assets classified as held for sale		
Current portion of non-current assets		100,000,000.00
Other current assets	1,382,920,586.50	1,547,454,872.74
Total current assets	16,872,766,011.31	18,503,233,867.80
Non-current assets:		
Available-for-sale financial assets	562,612,236.33	562,612,236.33
Held-to-maturity investments		
Long-term receivables		



Long-term equity investments	4,617,530,028.77	2,649,074,424.45
Investment property	213,639,992.84	216,455,629.99
Fixed assets	471,773,144.33	482,020,892.58
Construction in progress	88,654,150.01	79,927,345.88
Engineering materials		
Proceeds from disposal of fixed assets		
Productive living assets		
Oil and gas assets		
Intangible assets	90,186,303.05	91,718,400.70
R&D expense		
Goodwill		
Long-term prepaid expense	79,293,494.84	78,305,555.97
Deferred income tax assets	393,296,375.06	279,324,511.96
Other non-current assets	20,000,000.00	20,000,000.00
Total non-current assets	6,536,985,725.23	4,459,438,997.86
Total assets	23,409,751,736.54	22,962,672,865.66
Current liabilities:		
Short-term borrowings	5,083,795,772.39	3,269,730,888.60
Financial liabilities at fair value through profit or loss	1,827,480.43	47,482,470.50
Derivative financial liabilities		
Notes payable	2,960,886,821.61	2,394,426,158.76
Accounts payable	5,114,630,069.06	6,167,204,323.22
Advances from customers	246,705,278.32	601,036,147.76
Payroll payable	103,682,253.17	163,066,135.71
Taxes payable	10,460,012.97	1,070,771,570.12
Interest payable	32,598,284.85	50,336,913.53
Dividends payable		
Other payables	2,061,843,680.86	1,868,073,013.59
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	15,616,429,653.66	15,632,127,621.79
Non-current liabilities:		
Long-term borrowings	266,000,000.00	167,000,000.00

Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Specific payables		
Provisions	1,552,310.49	6,181,865.10
Deferred income	88,209,431.31	94,590,560.82
Deferred income tax liabilities	27,308,921.77	
Other non-current liabilities		
Total non-current liabilities	383,070,663.57	267,772,425.92
Total liabilities	15,999,500,317.23	15,899,900,047.71
Owners' equity:		
Share capital	2,407,945,408.00	2,407,945,408.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	111,525,163.22	111,525,163.22
Less: Treasury shares		
Other comprehensive income	-1,646,283.60	-1,970,304.62
Specific reserve		
Surplus reserves	1,217,644,874.79	1,217,644,874.79
Retained earnings	3,674,782,256.90	3,327,627,676.56
Total owners' equity	7,410,251,419.31	7,062,772,817.95
Total liabilities and owners' equity	23,409,751,736.54	22,962,672,865.66

### 3. Consolidated Income Statement

Unit: RMB

Item	H1 2018	H1 2017
1. Revenue	17,625,414,769.82	11,405,965,979.43
Including: Operating revenue	17,625,414,769.82	11,405,965,979.43
Interest income		
Premium income		
Handling charge and commission income		
2. Operating costs and expenses	18,033,756,773.54	11,495,886,195.84

Including: Cost of sales	16,442,256,445.26	10,110,191,258.07
Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surtaxes	27,646,574.62	34,429,592.04
Selling expense	1,103,181,074.51	974,003,306.54
Administrative expense	364,827,669.33	264,108,100.97
Finance costs	36,292,909.41	110,882,895.46
Asset impairment loss	59,552,100.41	2,271,042.76
Add: Gain on changes in fair value (“-” for loss)	59,855,412.48	-103,077,757.73
Investment income (“-” for loss)	531,758,571.71	67,005,572.06
Including: Share of profit or loss of joint ventures and associates	6,075,182.59	-4,574,294.19
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)	63,722,105.38	
Other income	123,026,283.50	36,838,391.51
3. Operating profit (“-” for loss)	370,020,369.35	-89,154,010.57
Add: Non-operating income	27,217,492.97	123,347,108.29
Less: Non-operating expense	5,951,749.57	3,635,538.11
4. Profit before taxation (“-” for loss)	391,286,112.75	30,557,559.61
Less: Income tax expense	-17,446,049.13	-3,838,772.97
5. Net profit (“-” for net loss)	408,732,161.88	34,396,332.58
5.1 Net profit from continuing operations (“-” for net loss)		
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	341,793,039.03	30,871,267.86
Net profit attributable to non-controlling interests	66,939,122.85	3,525,064.72
6. Other comprehensive income, net of tax	-4,400,958.71	-2,226,560.59
Attributable to owners of the Company as the parent	-4,851,840.74	-2,249,706.48

6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-4,851,840.74	-2,249,706.48
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-31,342.08	-11,347,998.58
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	-4,820,498.66	9,098,292.10
6.2.6 Other		
Attributable to non-controlling interests	450,882.03	23,145.89
7. Total comprehensive income	404,331,203.17	32,169,771.99
Attributable to owners of the Company as the parent	336,941,198.29	28,621,561.38
Attributable to non-controlling interests	67,390,004.88	3,548,210.61
8. Earnings per share		
8.1 Basic earnings per share	0.1419	0.0128
8.2 Diluted earnings per share	0.1419	0.0128

Legal representative: Liu Fengxi

CFO: Li Chunlei

Head of the financial department: Feng Junxiu

#### 4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2018	H1 2017
1. Operating revenue	6,556,568,515.30	6,272,712,644.73
Less: Cost of sales	5,958,024,932.71	5,443,839,907.56
Taxes and surtaxes	10,295,805.36	10,868,803.46
Selling expense	796,586,717.96	711,874,597.16
Administrative expense	227,760,646.63	188,310,629.91
Finance costs	146,845,768.60	127,560,085.67

Asset impairment loss	36,873,991.62	2,244,928.43
Add: Gain on changes in fair value (“-” for loss)	59,855,412.48	-63,255,380.36
Investment income (“-” for loss)	1,159,447,278.28	77,763,929.57
Including: Share of profit or loss of joint ventures and associates	13,240,183.30	-6,495,694.18
Asset disposal income (“-” for loss)	18,949.32	
Other income	42,392,110.12	26,416,590.40
2. Operating profit (“-” for loss)	641,894,402.62	-171,061,167.85
Add: Non-operating income	13,874,505.45	46,954,770.89
Less: Non-operating expense	5,440,364.14	2,589,238.41
3. Profit before taxation (“-” for loss)	650,328,543.93	-126,695,635.37
Less: Income tax expense	-86,913,171.05	-38,114,239.37
4. Net profit (“-” for net loss)	737,241,714.98	-88,581,396.00
4.1 Net profit from continuing operations (“-” for net loss)		
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	324,021.02	-11,808,114.04
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified into profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	324,021.02	-11,808,114.04
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets		-11,358,312.00
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements	324,021.02	-449,802.04
5.2.6 Other		
6. Total comprehensive income	737,565,736.00	-100,389,510.04

7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2018	H1 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	17,548,318,013.29	10,702,542,891.56
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	234,219,656.63	153,594,635.95
Cash generated from other operating activities	1,477,259,476.38	242,504,590.42
Subtotal of cash generated from operating activities	19,259,797,146.30	11,098,642,117.93
Payments for commodities and services	16,457,966,672.41	11,531,432,202.90
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	830,723,675.14	810,851,488.87
Taxes paid	1,461,811,434.09	264,698,689.66
Cash used in other operating activities	2,347,454,070.52	755,674,441.38
Subtotal of cash used in operating activities	21,097,955,852.16	13,362,656,822.81

Net cash generated from/used in operating activities	-1,838,158,705.86	-2,264,014,704.88
<b>2. Cash flows from investing activities:</b>		
Proceeds from disinvestment	42,903,231.61	9,766,980.30
Investment income	72,250,837.30	78,957,443.99
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	1,682,604.46	78,716,573.22
Net proceeds from disposal of subsidiaries or other business units	42,511,059.22	
Cash generated from other investing activities	942,900,000.00	857,901,449.68
Subtotal of cash generated from investing activities	1,102,247,732.59	1,025,342,447.19
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	140,086,476.23	124,051,006.64
Payments for investments	198,399,656.00	326,090,459.58
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units	232,126,165.53	
Cash used in other investing activities	874,730,000.00	2,156,068,913.10
Subtotal of cash used in investing activities	1,445,342,297.76	2,606,210,379.32
Net cash generated from/used in investing activities	-343,094,565.17	-1,580,867,932.13
<b>3. Cash flows from financing activities:</b>		
Capital contributions received	115,980,594.60	265,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	115,980,594.60	265,000.00
Increase in borrowings obtained	6,725,691,416.47	5,023,816,944.90
Net proceeds from issuance of bonds		
Cash generated from other financing activities	1,023,076.93	444,475,802.89
Subtotal of cash generated from financing activities	6,842,695,088.00	5,468,557,747.79
Repayment of borrowings	3,377,017,426.30	1,143,869,292.69
Payments for interest and dividends	562,435,220.65	162,968,902.94
Including: Dividends paid by subsidiaries to non-controlling interests		746,714.88
Cash used in other financing activities	22,612,122.48	574,504.77
Subtotal of cash used in financing activities	3,962,064,769.43	1,307,412,700.40
Net cash generated from/used in financing activities	2,880,630,318.57	4,161,145,047.39
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	-35,288,115.64	-10,379,276.29
<b>5. Net increase in cash and cash equivalents</b>	664,088,931.90	305,883,134.09

Add: Cash and cash equivalents, beginning of the period	3,097,899,703.76	2,020,902,945.13
6. Cash and cash equivalents, end of the period	3,761,988,635.66	2,326,786,079.22

## 6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2018	H1 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	8,900,547,132.50	7,169,804,450.63
Tax rebates	80,805,268.47	45,615,145.13
Cash generated from other operating activities	1,231,787,065.42	1,557,443,931.45
Subtotal of cash generated from operating activities	10,213,139,466.39	8,772,863,527.21
Payments for commodities and services	6,889,739,101.21	6,398,479,799.13
Cash paid to and for employees	508,124,450.52	490,539,972.72
Taxes paid	1,139,215,454.64	74,454,460.84
Cash used in other operating activities	1,847,843,398.55	2,206,102,049.40
Subtotal of cash used in operating activities	10,384,922,404.92	9,169,576,282.09
Net cash generated from/used in operating activities	-171,782,938.53	-396,712,754.88
2. Cash flows from investing activities:		
Proceeds from disinvestment	55,600,000.00	
Investment income	77,823,977.16	90,904,415.99
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	28,777.00	157,331.75
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	1,115,044,083.79	857,000,000.00
Subtotal of cash generated from investing activities	1,248,496,837.95	948,061,747.74
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	54,103,982.64	25,893,599.53
Payments for investments	1,222,391,400.00	361,799,598.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	861,154,315.32	2,229,985,587.07
Subtotal of cash used in investing activities	2,137,649,697.96	2,617,678,784.60
Net cash generated from/used in investing activities	-889,152,860.01	-1,669,617,036.86
3. Cash flows from financing activities:		
Capital contributions received		



Increase in borrowings obtained	3,216,716,364.16	2,676,935,367.72
Net proceeds from issuance of bonds		
Cash generated from other financing activities		141,159,174.39
Subtotal of cash generated from financing activities	3,216,716,364.16	2,818,094,542.11
Repayment of borrowings	1,207,765,069.15	303,221,456.06
Payments for interest and dividends	552,129,671.31	155,399,679.20
Cash used in other financing activities	335,984,291.92	574,504.77
Sub-total of cash used in financing activities	2,095,879,032.38	459,195,640.03
Net cash generated from/used in financing activities	1,120,837,331.78	2,358,898,902.08
4. Effect of foreign exchange rate changes on cash and cash equivalents	-75,185,223.64	2,847,903.92
5. Net increase in cash and cash equivalents	-15,283,690.40	295,417,014.26
Add: Cash and cash equivalents, beginning of the period	1,743,269,944.67	973,613,753.40
6. Cash and cash equivalents, end of the period	1,727,986,254.27	1,269,030,767.66

## 7. Consolidated Statements of Changes in Owners' Equity

H1 2018

Unit: RMB

Item	H1 2018												
	Equity attributable to owners of the Company as the parent										Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserves	General reserve			Retained earnings
	Preferred shares	Perpetual bonds	Other										
1. Balances as of end of prior year	2,407,945,408.00				104,732,242.30		3,697,458.95		1,217,644,874.79		4,260,125,492.57	204,044,330.78	8,198,189,807.39
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations under common control													
Other adjustments													
2. Balances as of beginning of the year	2,407,945,408.00				104,732,242.30		3,697,458.95		1,217,644,874.79		4,260,125,492.57	204,044,330.78	8,198,189,807.39
3. Increase/ decrease in the period (" - " for							-4,851,840.74				-48,294,095.61	482,418,710.01	429,272,773.66
3.1 Total comprehensive income							-4,851,840.74				341,793,039.03	67,390,004.88	404,331,203.17
3.2 Capital increased and reduced by owners												415,028,705.13	415,028,705.13
3.2.1 Ordinary shares increased by shareholders												415,028,705.13	415,028,705.13
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution											-390,087,134.64		-390,087,134.64
3.3.1 Appropriation to surplus reserves													
3.3.2 Appropriation to general reserve													



3.1 Total comprehensive income						10,629,563.60				5,057,025,155.71	29,636,931.01	5,097,291,650.32
3.2 Capital increased and reduced by owners											-241,190,603.80	-241,190,603.80
3.2.1 Ordinary shares increased by shareholders											-235,037,235.08	-235,037,235.08
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other											-6,153,368.72	-6,153,368.72
3.3 Profit distribution								369,736,408.51		-369,736,408.51	-1,419,284.06	-1,419,284.06
3.3.1 Appropriation to surplus reserves								369,736,408.51		-369,736,408.51		
3.3.2 Appropriation to general reserve												
3.3.3 Appropriation to owners (or shareholders)											-1,419,284.06	-1,419,284.06
3.3.4 Other												
3.4 Carryforwards within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Surplus reserves used to make up losses												
3.4.4 Other												
3.5 Specific reserve												
3.5.1 Withdrawn for the period												
3.5.2 Used during the period												
3.6 Other					25,009,150.26							25,009,150.26
4. Balances as of end of the period	2,407,945,408.00				104,732,242.30	3,697,458.95	1,217,644,874.79	4,260,125,492.57	204,044,330.78	8,198,189,807.39		

## 8. Statements of Changes in Owners' Equity of the Company as the Parent

H1 2018

Unit: RMB

Item	H1 2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred	Perpetual	Other							
1. Balances as of end of prior year	2,407,945,408.00				111,525,163.22		-1,970,304.62		1,217,644,874.79	3,327,627,676.56	7,062,772,817.95

Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as of beginning of the year	2,407,945,408.00				111,525,163.22		-1,970,304.62		1,217,644,874.79	3,327,627,676.56	7,062,772,817.95
3. Increase/ decrease in the period (“-” for decrease)							324,021.02			347,154,580.34	347,478,601.36
3.1 Total comprehensive income							324,021.02			737,241,714.98	737,565,736.00
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 Share-based payments included in owners’ equity											
3.2.4 Other											
3.3 Profit distribution										-390,087,134.64	-390,087,134.64
3.3.1 Appropriation to surplus reserves											
3.3.2 Appropriation to owners (or shareholders)										-390,087,134.64	-390,087,134.64
3.3.3 Other											
3.4 Carryforwards within owners’ equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Surplus reserves used to make up losses											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used during the period											
3.6 Other											
4. Balances as of end of the period	2,407,945,408.00				111,525,163.22		-1,646,283.60		1,217,644,874.79	3,674,782,256.90	7,410,251,419.31

H1 2017

Unit: RMB

Item	H1 2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury	Other comprehensive	Specific reserve	Surplus reserves	Retained earnings	Total owners’ equity
		Preferred	Perpetual	Other							
1. Balances as of end of prior year	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
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											

Other adjustments				7,350,000.00					-25,347,306.92	-17,997,306.92
2. Balances as of beginning of the year	2,407,945,408.00			72,144,108.39		6,714,437.62		847,908,466.28	-615,043,510.83	2,719,668,909.46
3. Increase/ decrease in the period (“-” for decrease)				39,381,054.83		-8,684,742.24		369,736,408.51	3,942,671,187.39	4,343,103,908.49
3.1 Total comprehensive income						-8,684,742.24			4,312,407,595.90	4,303,722,853.66
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 Share-based payments included in owners’ equity										
3.2.4 Other										
3.3 Profit distribution								369,736,408.51	-369,736,408.51	
3.3.1 Appropriation to surplus reserves								369,736,408.51	-369,736,408.51	
3.3.2 Appropriation to owners (or shareholders)										
3.3.3 Other										
3.4 Carryforwards within owners’ equity										
3.4.1 Increase in capital (or share capital) from capital reserves										
3.4.2 Increase in capital (or share capital) from surplus reserves										
3.4.3 Surplus reserves used to make up losses										
3.4.4 Other										
3.5 Specific reserve										
3.5.1 Withdrawn for the period										
3.5.2 Used during the period										
3.6 Other				39,381,054.83						39,381,054.83
4. Balances as of end of the period	2,407,945,408.00			111,525,163.22		-1,970,304.62		1,217,644,874.79	3,327,627,676.56	7,062,772,817.95

## Konka Group Co., Ltd.

### Notes to Financial Statements for H1 2018

(All amounts are expressed, unless otherwise stated, in Renminbi (RMB).)

#### 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 29 August 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 27 November 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 8 December 1991—31 December 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 29 January 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 20 December 1991— 31 January 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 10 April 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 30 April 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 18 April 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 10 June 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 2 June 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 6 June 1994, with the prior consent of Shenzhen Securities Regulatory Office and Shenzhen Stock Exchange.

On 8 October 1994, the Proposal on Negotiable Bonus Shares of B-Share Corporate Shareholders 1992 was adopted at the 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 16,930,305.00 bonus shares for FY 1992 granted to foreign legal persons were listed and negotiated at B-share market on 26 October 1994.

On 6 February 1996, the Proposal on Share Allotment Modes 1996 was adopted at the interim general meeting of shareholders of the Company. With approval from the SZBF No. 5 [1996] document as issued by Shenzhen Securities Regulatory Office, and re-examination from the ZJPSZ No. 16 [1996] document and ZJGZ No. 2 [1996] document as issued by China Securities Regulatory Commission, on 16 July 1996 and 29 October 1996, all shareholders were respectively allotted three shares for every ten existing shares held at RMB6.28/A-share and HKD5.85/B-share. Corporate shareholders took their respective existing shares as bases for full subscription of the allocable shares. The total capital stock reached 365,572,641.00 shares after this allotment.

On 25 January 1998, the Plan on Share Allotment 1998 was adopted at the 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 15 July 1998, negotiable



A-shares were allotted in proportion of 3:10 at RMB10.50/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 cancelled, and the corporate shareholders of the Company waived the preemptive right. The total capital stock reached 389,383,603 shares after this allotment.

On 30 June 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 20 August 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 467,260,323.00 shares after this capitalization.

On 30 June 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 1 November 1999, 80,000,000.00 A-shares were additionally issued to the public at RMB15.50/share. The total capital stock reached 547,260,323.00 shares after this additional issue.

On 30 May 2000, the Plan on Profit Distribution and Dividend Payout 1999 was adopted at the ninth general meeting of shareholders of the Company. On 25 July 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 601,986,352.00 shares after this distribution.

On 26 May 2008, the 2017 general meeting of shareholders s was convened, during which the following resolutions were discussed and adopted: based on the total capital stock of 601,986,352.00 shares for the year ended 31 December 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. On 16 December 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 10 April 2009. The total capital stock reached 1,203,972,704.00 shares after change.

According to the regulations of the 2015 1<sup>st</sup> 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 January 2016 with the altered share capital of 2,407,945,408.00 shares.

3. Approved business scope: research and development, production and operation of such intelligent household electric appliances as televisions, refrigerators, washing machines, and personal electronic appliances, and kitchen and bathroom electronic appliances; manufacturing and application of home AV, IPTV set-top boxes, OTT terminal products, digital TV receivers (including ground receiving equipment of satellite television broadcasting), digital products, intelligent wearable products, intelligent health products, intelligent electric products, intelligent switch plug, power bank, 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; emergency broadcast system 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, international freight forwarding, and warehousing services; management of supply chain, 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 centre, and data processing. Import & export business: domestic trade; international trade (excluding monopoly, exclusive control, and monopolized commodities); selling security products, intelligent household products, door lock, and hardware; doing various business entrusted by (Mobile, Unicom, Telecom, and BC&TV)

4. The Company and its subsidiaries are mainly engaged in the production and sales of colour TVs, white goods, mobile phones, etc.; trade business; environmental protection business; real estate development and marketing; commercial factoring, and etc.

5. The financial statements contained herein have been approved for issue by the Board of Directors of the Company on 29 August 2018.

6. There were 77 subsidiaries included in the consolidation scope of 2018 of the Company, and please refer to the Notes VIII. “Equities among other entities” for details. There were 33 subsidiaries increased and 1 decreased in the consolidation scope of the Reporting Period over the last period of the Company, for details, see the Notes VII. “Changes of the consolidation scope”.

#### 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 Electrical Appliances Co., Ltd.	Konka Electrical 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
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

Corporate name	Abbreviation
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
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
Konka SmartTech Limited	Konka SmartTech
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Shenzhen E2info Network Technology Co., Ltd.	E2info
Shenzhen Konka Mobile Interconnection Technology Co., Ltd.	Mobile Interconnection
Shenzhen Konka Commercial System Technology Co., Ltd.	Commercial System Technology
Chain Kingdom Co., Limited	Chain Kingdom
Shenzhen Kangqiao Easy Chain Technology Co., Ltd.	Kangqiao Easy Chain
E3info (Hainan) Technology Co., Ltd.	E3info
Chuzhou Konka Technology & Industry Development Co., Ltd.	Chuzhou Konka TID
Konka Ventures Development (Shenzhen) Co., Ltd.	Konka Ventures
Shenzhen Konka Pengrun Technology & Industry Co., Ltd.	Konka Pengrun
Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.	Konka Unifortune
Shenzhen Konka Investment Holding Co., Ltd.	Konka Investment
Anhui Kangzhi Trade Co., Ltd.	Kangzhi Trade
Hainan Konka Material Technology Co., Ltd.	Konka Material
Tianjin Konka Leasing Co., Ltd.	Konka Leasing
Yantai Konka Healthcare Enterprise Service Co., Ltd.	Yantai Konka
Shenzhen Konka Capital Equity Investment Management Co., Ltd.	Konka Capital

Corporate name	Abbreviation
Chain Kingdom (Shenzhen) Co., Ltd.	Chain Kingdom Shenzhen
Shenzhen Konka Electronics Technology Co., Ltd.	Electronics Technology
Sichuan Konka Smart terminal Technology Co., Ltd.	Sichuan Konka
Jiaxin Technology Co., Ltd.	Jiaxin Technology
Kangjietong (Hong Kong) Limited	Kangjietong
Sichuan Kangjietong Supply Chain Management Co., Ltd.	Sichuan Kangjietong
Konka Huanjia (Dalian) Environmental Technology Co., Ltd.	Konka Huanjia
Chengdu Konka Incubator Management Co., Ltd.	Chengdu Konka
Yibin Konka Technology Park Operation Co., Ltd.	Yibin Konka
Konka Suiyong Investment (Shenzhen) Co., Ltd.	Konka Suiyong
Anhui Konka Electrical Appliance Technology Co., Ltd.	Electrical Appliance Technology
Jiali International (Hong Kong) Limited	Jiali International
GuangDong XingDa HongYe Electronic Co., Ltd.	XingDa HongYe
Shanghai Xinfeng Zhuoqun PCB Co., Ltd.	Xinfeng Zhuoqun
Zhongshan Zewei Kechuang Investment Management Co., Ltd.	Zewei Kechuang
Shandong Econ Technology Co., Ltd.	Econ Technology
Beijing Econ Runfeng Technology Co., Ltd.	Beijing Econ
Shanghai Jiye Environmental Technology Co., Ltd.	Shanghai Jiye
Binzhou Econ Zhongke Environmental Technology Co., Ltd.	Binzhou Econ
Laizhou Lairun Holdings Co., Ltd.	Lairun Holdings
Econ Environmental Engineering Co., Ltd.	Econ Environmental Engineering
Rushan Yike Water Treatment Co., Ltd.	Rushan Yike
Binzhou Weiyijie Environmental Technology Co., Ltd.	Binzhou Weiyijie
Yantai Chunzhiran Environmental Technology Co., Ltd.	Yantai Chunzhiran
Rushan Econ Beike Technology Incubator Co., Ltd.	Rushan Econ
Fujian Econ Changrun Environmental Protection Co., Ltd.	Fujian Econ
Laizhou Lairun Huayang Heating Co., Ltd.	Lairun Huayang
Laizhou Lairun Heating Co., Ltd.	Lairun Heating
Laizhou Lairun Green Energy Co., Ltd.	Lairun Green Energy
Binzhou Beihai Jingmai Industrial Development Co., Ltd.	Beihai Jingmai
Yantai Huanhai Xinze Enterprise Management Co., Ltd.	Huanhai Xinze
Binzhou Weinengda Transport Co., Ltd.	Binzhou Weinengda
Laizhou Binhai Sewage Treatment Co., Ltd.	Binhai Sewage Treatment

Corporate name	Abbreviation
Laizhou Lairun Environmental Protection Co., Ltd.	Lairun Environmental Protection

## 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 42 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 February 15, 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 and investment properties, the financial statements are based on historic costs to measure. Non-current assets held for sale is priced by the lower amount between the amounts that fair value minus estimated amount and the original book value that meets the held for sale requirement. Where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

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

The financial statements prepared by the Group are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company’s financial positions as at 30 June 2018, business results and cash flows for the first half year of 2018, 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 its subsidiaries 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. 23 “Revenues”. For the notes of the significant accounting judgment and estimations made by the management layer, please refer to Notes IV. 29 “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 January 1 and ends on December 31 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. The Company and its overseas subsidiary-European Konka use Euro as their bookkeeping base currency according to their currency used in the economic circumstances. Subsidiaries such as Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading, Konka Zhisheng, Chain Kingdom, Kangjietong, and Jiabin Technology and Jiali International 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 re-examination, 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 No. 5 Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 and the Article 51 of Accounting Standards for Enterprises No. 33—Consolidated Financial Statements Criterion about the “package deal” (see Note IV, 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 IV, 13 “long term equity investment” and conduct accounting treatment, those not belong to the “package deal” distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

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

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

## **5. Methods for Preparing Consolidated Financial Statements**

### **(1) Principle for determining the consolidation scope**

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

Once any changes in the relevant facts or situations resulted 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. 13 “long term equity investment” or Note IV. 9 “financial instruments”.

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

the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see Note IV. 13. (2) ④) and “Where the Group loses control on its original subsidiaries due to disposal of some equity investments or other reasons” (See the front paragraph) relevant transactions of the Group losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control , when the Group losing control on its subsidiary.

## **6. Classification of Joint Arrangements and Accounting Treatment of Joint Operations**

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

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

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

When the Group, as a joint operator, transfers or sells assets (the assets not constituting business, the same below) to the joint operation, or purchases assets from the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the

assets as prescribed in The Accounting Standard No. 8 for Business Enterprises — Asset Impairment, the Group shall fully 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 that day 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 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 owner's 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 instalments 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 RMB20 million and other receivables above RMB10 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 in the scope of consolidation of the Company	Divide the groups according to the credit risks characteristics of whether the creditor is the internal related party in the scope of consolidation 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.

Methods of making provisions for bad debt in different groups:

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

In the group 1, 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)	2-5	2-5
1-2 years	5-10	5-10

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
2-3 years	20-30	20-30
3-4 years	50	50
4-5 years	50-80	50-80
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 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, circulating materials, and engineering constructions, 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 construction contracts shall be measured at actual cost, including all direct and indirect costs related to the execution of the contract from the time signing the contract to completing the contract. The expenses such as travel expenses and bidding fees incurred for the purpose of signing the contract, which can be separately and reliably measured and the contract is likely to be concluded, are included in the contract cost when the contract is obtained; if the above conditions are not met, they are included in the current profit and loss.

The accumulated costs incurred in the contract in progress, the accumulated recognized gross profit (loss) and the settled price are stated in the balance sheet as net offset. The part of the sum of the accumulated costs incurred in the contract in progress and the accumulated recognized gross profit (loss) that exceeds the settled price is stated as the inventory; the part of the settlement costs of the contract in progress that exceeds the sum of the accumulated costs incurred and the accumulated recognized gross profit (loss) are stated as account collected in advance.

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. The inventories with various numbers and low unit price shall be made provisions for depreciation reserves of inventories according to the category of inventories.

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 amortization when acquiring.

## **12. Assets Held for Sale and Disposal Group**

When a company relies mainly on selling (including the exchanges of non-monetary assets with commercial substance, similarly hereinafter) instead of continuing to use a non-current

asset or disposal group to recover its book value, then the non-current asset or disposal group is classified as assets held for sale. The specific standards are simultaneously meeting the following conditions: assets or disposal groups can be sold immediately under current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already made a resolution on the sale plan and obtained a certain purchase commitment, and the sale is expected to be completed within one year. A disposal group refers to a group of assets that are disposed of together as a whole by sale or other means in a transaction and the liabilities directly related to these assets transferred in the transaction. Where the asset group or combination of asset groups to which a disposal group belongs apportions the goodwill acquired in the business combination in accordance with the Accounting Standards for Enterprises No. 8 - Asset Impairment, the disposal group shall include the goodwill allocated to it.

If there are non-current assets or disposal groups held for sale during initial measurement or on the balance sheet day based on remeasurement of this Company, if the book value is higher than the net amount by deducting the selling expenses with the fair value, the book value shall be written down and be equal to the net amount by deducting the selling expenses with the fair value. The write-down amount shall be confirmed as the loss of depreciation of assets and shall be included into the profits and losses of the current period. At the same time, prepare to calculate and withdraw the assets purchased and under agreements to resell. For the disposal group, deduct the book value of the goodwill in the disposal group with the asset depreciation losses confirmed, then deduct the book value of each non-current asset in the disposal group conforming to the measurement regulations of Accounting Standards for Business Enterprises No. 42-non-current Assets Purchased and under Agreements to Resell, Disposal Group and Operation Termination (herein after referred to as "the Standard for Assets Purchased and under Agreements to Resell"). If the net amount by deducting the selling expenses with the fair value of the disposal group purchased and under agreements to resell on the subsequent balance sheet date, the previous write-down amount shall be recovered and shall be reversed within the asset depreciation losses amount of the non-current confirmed as per regulation of the Standard for Assets Purchased and under Agreements to Resell after being classified into the category purchased and under agreements to resell. The reverse amount shall be included into the current profits and losses, and the book value shall be added as per the proportion of the book value of each non-current asset in

the disposal group applicable to the Standard for Assets Purchased and under Agreements to Resell except for the goodwill; The goodwill book value deducted and the asset depreciation losses of the non-current assets applicable to the measurement regulations of the Standard for Assets Purchased and under Agreements to Resell before its confirmation of being classified into the category purchased and under agreements to resell shall not be reversed.

Depreciation or amortization in the non-current assets held for sale or the non-current assets in the disposal group shall not be calculated or withdrawn. Interests of liabilities and other expenses in the disposal group purchased and under agreements to resell shall be confirmed continuously.

When a non-current asset or disposal group fail to meet the classification conditions for the category of held-for-sale, the Company will no longer classify a non-current asset or disposal group as held-for-sale or remove out a non-current asset from the held-for-sale disposal group, and it will be measured by one of the followings whichever is lower: (1) The book value before being classified as held for sale will be adjusted according to the depreciation, amortization or impairment that would have been recognized under the assumption that it was not classified as held for sale; (2) The recoverable amount.

### **13. Long-term Equity Investments**

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

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

#### **(1) Recognition of investment costs**

As for long-term equity investments acquired by enterprise merger, if the merger is under the



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

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the

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

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

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Group, the fair value of equity securities issued by the Group, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost. The long-term equity investment cost for those could execute significant influences on the investees because of appending the investment or could execute joint control but not form as control, should be as the sum of the fair value of the original held equity investment and the newly added investment cost recognized according to the No. 22 of Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instrument.

## (2) Subsequent measurement and recognition of gains or losses

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

### ① Long-term equity investment measured by adopting cost method

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

### 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 are 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. If the assets launched by this Company to the associated enterprise or joint ventures constitute the business, and the investor obtains the long-term equity investment but fails to obtain the control right, the fair value of business launched is taken as the initial investment cost of newly-increased long-term equity investment, and the difference between initial investment cost and book value of business launched will be included in current profit and loss. If the assets sold by this Company to the associated enterprises or joint ventures constitute the business, the difference between consideration and book value of business will be included in current profit and loss. If this Company's assets purchased from the associated enterprises or joint ventures constitute business, accounting treatment shall be conducted in accordance with the provisions of the Accounting Standards for Business Enterprises No. 20 -- Business Combination, fully recognize the gains or losses related to the transaction.

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 from 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 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 loses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall be 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 adopts 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.

#### **14. Investment Real Estates**

The term "investment real estate" 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 estate 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. 20. "Long-term assets impairment".

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.

## 15. 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 labour 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 salvage (%)	net value	Annual depreciation (%)



Category of fixed assets	Method	Useful life (Year)	Expected net salvage value (%)	Annual depreciation (%)
Housing and building	Straight-line depreciation	20-40	5.00-10.00	2.25-4.50
Machinery equipment	Straight-line depreciation	5-10	5.00-10.00	9.00-19.00
Electronic equipment	Straight-line depreciation	3-5	0.00-10.00	18.00-33.33
Transportation vehicle	Straight-line depreciation	4-5	5.00-10.00	18.00-23.75
Other equipment	Straight-line depreciation	5-25	5.00-10.00	3.8-19.00

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. 20 “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.

#### **16. 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. 20 “Long-term assets impairment”.

#### **17. 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.

## **18. 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. 20 “Long-term assets impairment”.

#### **19. 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.

#### **20. 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.

## **21. 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, labour 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 labour relations before expiration of contract, or layoffs with compensations, and the Company cannot terminate the labour 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 demission 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 (demission 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.

## **22. 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.

## **23. 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 or transferring property in 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 labour services

If the Group can reliably estimate the outcome of a transaction concerning the labour 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 labour services shall be decided by the proportion of the labour service already provided to the total labour service to provide.

The outcome of a transaction concerning the providing of labour 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 labour services cannot be measured in a reliable way, the revenue from the providing of labour services shall be recognized in accordance with the amount of the cost of labour services incurred and expected to be compensated, and make the cost of labour services incurred as the current expenses. If it is predicted that the cost of labour 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 labour services, if the part of sale of goods and the part of providing labour services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labour services shall be treated respectively. If the part of selling goods and the part of providing labour services cannot be distinguished



from each other, or if the part of sale of goods and the part of providing labour services can be distinguished from each other but cannot 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. 26.

### (7) Factoring business revenue

Take the paid-in factoring payment as the fair value to carry out initial measurement. Subsequent measurement shall be carried out as per the effective interest method according to the amortized cost. Take the balance between the fair value initially confirmed and transferred amount of accounts receivable or face value of notes receivable as the interest income by effective interests method and amortized costs during the financing period or the rest credit period; interest income shall be recognized by straight-line method if it is due within 1 year. The profits and losses from termination of recognition, impairment, and amortization shall be included into the current profits and losses.

### (8) Construction contract income

Under circumstance of that the outcome of the construction contract can be reliably estimated, the contract income and costs are confirmed on the balance sheet date in accordance with the percentage of completion method. The completion of the contract is determined by the proportion of the contracted work that has been completed to the estimated total workload of the contract.

That the result of the construction contract can be reliably estimated refers to that: ① the total income of the contract can be reliably measured; ② the economic benefits related to the contract are likely to flow into the enterprise; ③ The actual contract costs can be clearly differentiated and reliably measured; ④ the completion of the contract and the costs needed to complete the contract can be reliably determined.

If the result of the construction contract cannot be reliably estimated, but the contract cost can be recovered, the contract income can be confirmed according to the actual contract cost that can be recovered, and the contract cost is confirmed as the contract expense in the current occurring period; for the contract cost that cannot be recovered, it is immediately confirmed as the contract cost but not the contract income when it occurs. If the uncertainties that make the results of the construction contract cannot be reliably estimated are no longer in existence, the income and expenses related to the construction contract are determined according to the percentage of completion method.

If the estimated total cost of the contract exceeds the total contract income, the estimated loss is confirmed as the current expense.

The accumulated costs incurred in the contract in progress, the accumulated recognized gross profit (loss) and the settled price are stated in the balance sheet as net offset. The part of the sum of the accumulated costs incurred in the contract in progress and the accumulated recognized gross profit (loss) that exceeds the settled price is stated as the inventory; the part of the settlement costs of the contract in progress that exceeds the sum of the accumulated costs incurred and the accumulated recognized gross profit (loss) are stated as account collected in advance.

For the provision of business for government and social capital cooperation (PPP) to participate in the public infrastructure construction, the Company confirms the relevant income and expenses for the construction services provided in accordance with the Accounting Standards for Business Enterprises No. 15 - Construction Contract; during the project construction period. After completing the construction of the infrastructure, the Company confirms the income and expenses related to the follow-up business services in accordance with the Accounting Standards for Business Enterprises No. 14 - Income.

(9) The business income of BOT and BT confirms that the Company adopts the BOT to participate in the public infrastructure construction business. And if the infrastructure construction is contracted to other parties without providing the actual construction services, the Company doesn't confirm the construction service income, and considers the contract provisions according to the project price paid in construction process and ensures the financial assets or intangible assets.

The contract stipulates that the Company has the right to charge the object of obtaining the service within a certain period of operation after the completion of the relevant infrastructure. If the amount of the fee is determined, it is confirmed as the financial asset; if the amount of the fee is uncertain, it is confirmed as the intangible asset.

The processing principles for BOT business can also be applied to some cases, such as that the Company builds or purchases infrastructure from a third party for the purpose of the service agreement, or the current infrastructure business and BT business that the contractual grantor provides to the Company based on the service agreement.

For the expenses specified by the relevant service agreement that belong to routine maintenance management fees, the Company will directly include it in the profit and loss during the period of service provision. If the compensation for the relevant maintenance and management fee is sure to be received or is received from the government, it shall be included in the operating income when providing the service, and shall be matched with the relevant expenses.

The Company mainly provides integrated solutions for water treatment and sells industrial automation products. The income recognition conditions for providing integrated solutions for water treatment: the Company confirms the sales revenue based on the completion schedule approved by both parties and carries down the sales cost. The income recognition conditions for Revenue recognition conditions for selling industrial automation products: the Company has delivered the products to the purchaser according to the contract, and the products that need to be accepted have passed the acceptance of the purchaser, and the amount of sales income of the products has been determined. The relevant economic benefits are likely to flow in, and the related costs of products can be reliably measured.

#### **24. 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 investor with corresponding owner's equity. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income. Government subsidy that is obtained by this Company used for purchasing or acquisition and construction, or forming the long-term assets by other ways, which is confirmed the government subsidy related to assets; Other government subsidies shall be defined as the government subsidy that related with interest. If it does not clear the subsidy object in the government document, the grants will be divided based on the following modes into government subsidy related to earnings and government subsidy related to assets: (1) If the particular project of the grants is clear in the government document, make a division according to the relative proportion of

expense amount of the formed assets in the budget of the particular project and the expense amount included in the cost, shall review the division ratio required at each balance sheet date and make changes if necessary; (2) Only make general statements for the application in the government document, for not specifying the particular item, as the governmental subsidy related to earnings. 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.

When this Company actually received the government subsidy, recognize and measure as the actual measured amount.

If the government grants related to assets are recognized as deferred income and are included in the profits and losses by instalments in a reasonable and systematic way within the service life of underlying assets. The government grants related to income, using to compensate the relevant expenses or losses in the later period shall be recognized as the deferred income and are included in the current profit or loss in the period of confirming the related expenses or losses; If the government grant is used for compensating the occurred costs or loss, include it in the current profit and loss directly.

At the same time, for the government subsidies related to assets and profits, carry out different accounting processing for different parts; for the governmental subsidy hard to differentiate, the overall governmental subsidies are taken as the governmental subsidy related to revenue.

The government grants related to daily activities of this Company shall be included in other revenues or offset related costs according to the economic business nature; Government subsidies unrelated to daily activities shall be included into the non-operating profits.

If the governmental subsidies confirmed needs to be returned and there is the deferred earnings balance concerned, the book balance of relevant deferred earnings shall be offset against, but the excessive part shall be included into current profits and losses; Government subsidies belonging to other situations shall be directly included into current losses and profits.

## **25. 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 from 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.

## **26. 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.

### **27. Other Main Accounting Policies and Estimates**

Termination of operation refers to a separately identifiable constituent part that satisfies one of the following conditions that has been disposed of by the Company or is classified as held-for-sale: ① This constituent part represents an independent main business or a separate main business area; ② This constituent part is part of an associated plan that is intended to be disposed of in an independent main business or a separate major business area; ③ This constituent part is a subsidiary that is specifically acquired for resale.

For accounting method of termination of operation, please refer to relevant description of Notes IV. 12 “Assets held for sale and disposal group”

### **28. Changes in Main Accounting Policies and Estimates**

#### (1) Changes of accounting policies

Changes of accounting policies resulted from implementing new Accounting Standards for Business Enterprises:

On 28 April 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Termination of Operations (CaiKuai [2017] No. 13), which is required to be implemented from the date of 28 May 2017. On 10 May 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 16-Governmental Subsidies (revised in 2017) (CaiKuai [2017] No. 15), which is required to be implemented from the date of 12 June 2017. The Company



began to implement the two above-mentioned accounting standards according to the time required by the Ministry of Finance.

The Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Termination of Operations specified the classification, measurement, presentation and disclosure of non-current assets and disposal group held for sale, and the presentation and disclosure of termination of operations. The financial statement has already adjusted the termination of operation existed on the date of implementation (28 May 2017) and presentation of comparative annual financial statement and the disclosure of annotations according to the Standards. The above-mentioned changes of accounting policies had no influences on the data of last year of the Company, so there was no need to retroactively adjust.

Before implementing the Accounting Standards for Business Enterprises No. 16-Governmental Subsidies (revised in 2017), the Company included the obtained governmental subsidies into non-operating income; the governmental subsidies related to assets were recognized as deferred income, which is amortized averagely within the useful life and included into current gains and losses. After implementing the Accounting Standards for Business Enterprises No. 16-Governmental Subsidies (revised in 2017), the governmental subsidies related to routine activities occurred after 1 January 2017 were included into other income; the governmental subsidies have nothing to do with routine activities were included into non-operating income and expense.

## (2) Change of accounting estimates

There was no any change of accounting estimate of the Company in the Reporting Period.

## **29. 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) Revenue Recognition - Construction Contract

If the construction contract results can be reliably estimated, the Company adopts the method of completion percentage to confirm the contract income on the balance sheet date. The percentage of contract completion is confirmed in accordance with the method described in Note IV, 23, Revenue, and is cumulatively calculated in each fiscal year in which each construction contract is executed.

Significant judgment is required in determining the percentage of completion, contract costs incurred, estimated total contract income and total cost, and contract recyclability, and the project management personnel usually make judgments mainly based on past experience and work. The estimated total contract income and total cost, as well as estimated changes in contract execution results, may have an impact on operating income, operating costs, and profit or loss for the current or subsequent period of the change, and may have a significant impact.

#### (2) 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 lessee, or whether the Group had already undertaken all the risk and compensation related with the leased assets.

#### (3) 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.

#### (4) 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.

#### (5) 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.

#### (6) 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.

#### (7) 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.

(8) 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.

(9) Provision for impairment of long-term 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.

#### (10) 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.

#### (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.

#### (15) Measurement for fair value

Some assets and liabilities of this Company will be measured at fair value in the financial statements. The board of directors of this Company has established the appraisal committee (led by the CFO of this Company) to confirm appropriate appraisal technology and input value for measurement of fair value. This Company will apply available and observable market data during estimating the fair value of some assets and liabilities. If the input value in Level 1 is not available, this Company will entrust a third qualified appraiser for the estimation. The appraisal committee will closely cooperate with the outside appraiser to determine proper estimation technology and input values of the related models. CFO submits a report to the discoveries of the appraisal committee to the board of directors of this Company to explain the reasons of fluctuation of fair value of related assets and liabilities. Related information of the appraisal technology and input value during the process of confirming the fair value of various assets and liabilities shall be disclosed in Note X.

## 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%, 10%, 11%, 13%, 16%, 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.
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	Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading, Konka Zhisheng, and Chain Kingdom of 16.5%; Telecommunication Technology, Dongguan Konka, Anhui Konka, E-display, Kangqiao Easy Chain, and Wankaida and Chongqing Qingjia, Commercial System Technology, and Econ Technology of 15%; and Europe Konka of 31%. The Company as the parent and the other subsidiaries paid at 25% of the taxable income.
Education surtax	Paid at 3% of the circulating tax actually paid.
Local education surtax	Paid at 2% of the circulating tax actually paid.
Foundation for water works	Paid at 1% and 0.5% of the circulating tax actually paid.

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

(2) According to regulations of Temporary Provisions of Income Tax of Trans-boundary Tax Payment Enterprises by State Administration of Taxation, resident enterprises without

business establishment or places of legal persons should be tax payment enterprises with the administrative measures of income tax of “unified computing, level-to-level administration, local prepayment, liquidation summary, and finance transfer”. It came into force from 1 January 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 January 2008 and will be final settled uniformly by the Company at the year-end.

(3) According to the document of Finance and Taxation [2018] No. 32 issued by the Ministry of Finance and the State Administration of Taxation, for the taxpayers who have taxable sales behaviors of VAT, the tax rates shall be adjusted from originally applicable 17% and 11% to 16% and 10% respectively from 1 May 2018.

## **2. Tax Preference and Approved Documents**

(1) On 31 October 2017, Shenzhen Konka Telecommunications Technology Co., Ltd., the subsidiary of this Company obtained the high-tech enterprise certificate (certificate No.: GR201444201722) jointly issued by Shenzhen Technology Innovation Committee, Finance Commission of Shenzhen Municipality, Shenzhen Municipal Office, SAT, Shenzhen Local Taxation Bureau, with a valid period of three years. According to related taxation regulations, Shenzhen Konka Telecommunications Technology Co., Ltd. enjoys related taxation preferential policies as a high-tech enterprise from 2017 to 2019 and pays the enterprise income tax as per the preferential tax rate of 15%.

(2) On 31 October 2017, Wankaida, the subsidiary of this Company obtained the High-tech Enterprise Certificate (certificate No.: GR201744204716) joint issued by Shenzhen Technology Innovation Committee, Finance Committee of Shenzhen Municipality, Shenzhen Municipal Office, SAT and Shenzhen Local Taxation Bureau with a valid period of three years. According to related taxation regulations, Wankaida enjoys related taxation preferential policies as a high-tech enterprise from 2017 to 2019 and pays the enterprise income tax as per the referential tax rate of 15%.

(3) On 1 November 2017, Dongguan Konka Electronic Co., Ltd., the subsidiary of this Company obtained the High-tech Enterprise Certificate (certificate No.: GR201744003812) jointly issued by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT, Guangdong Local Taxation Bureau with a valid period of three years. According to related taxation regulations, the company enjoys related taxation preferential policies as a high-tech enterprise from 2017 to 2019 and pays the enterprise income tax as per the preferential tax rate of 15%.



(4) On 21 October 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.

(5) On 21 November 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.

(6) On 31 October 2017, Shenzhen Konka Commercial System Technology Co., Ltd., the subsidiary of this Company obtained the high-tech enterprise certificate (certificate No.: GR201744202349) jointly issued by Shenzhen Technology Innovation Committee, Finance Committee of Shenzhen Municipality, Shenzhen Municipal Office, SAT, Shenzhen Local Taxation Bureau with a valid period of three years. According to related taxation regulations, the company enjoys related taxation preferential policies as a high-tech enterprise from 2017 to 2019 and pays the enterprise income tax as per the preferential tax rate of 15%.

(7) According to Notice about Related Taxation Policy Problems of Further Implementation of the Western Development Strategy CS [2011] No. 58, Chongqing Qingjia, the subsidiary of this Company pays the enterprise income tax as per the referential tax rate of 15% from 1 January 2011 to 31 December 2020.

(8) According to the Overall Development Plan on Shenzhen-Hong Kong Cooperation on Modern Service Industries in Qianhai Area approved by the State Council and the Industry Access Catalogue of Modern Service Industry in Qianhai, Shenzhen issued by the National Development and Reform Commission, Shenzhen Kangqiao Easy Chain Technology Co., Ltd., a subsidiary of the Company was established in Qianhai, and enjoyed a 15% income tax rate, and the privileges in Qianhai can be superimposed with others.

(9) According to the fiscal and taxation document [2011] No. 100 published by the Ministry

of Finance and the State Administration of Taxation, for the VAT general taxpayers who sell their self-developed and produced software products, the VAT shall be levied at the rate of 17%, and then the part that the actual tax burden on their VAT exceeds 3 will be implemented with the policy of immediate withdrawal. The Company and its subsidiaries, Telecommunication Technology, Wankaida Technology, and E-display Service all enjoy this preferential policy.

(10) On 28 December 2017, Econ Technology, a subsidiary of the Company, obtained the High-tech Enterprise Certificate, certificate No.: GR201737001495, valid for three years. According to the relevant tax regulations, the Telecommunication Technology enjoys related tax incentives for high-tech companies for three consecutive years from 2017 to 2019 and is subject to corporate income tax at a preferential rate of 15%.

(11) According to the regulations of the Special Catalogue of VAT Concessions for Products and Labors with Comprehensive Utilization of Resources issued by the Ministry of Finance and the State Administration of Taxation (Finance and Taxation [2015] No. 78), the wastewater treatment business operated by Lairun Holdings belongs to the this catalogue. Then after it has been levied the VAT at a rate of 17 %, the actual tax burden on the wastewater treatment income tax will be refunded in accordance with the 70% of the actual tax burden, and the actual tax burden on the renewable water income VAT will be refunded immediately at 50%. That Lairun Holdings enjoyed the tax concession was registered and recorded in August 2017 in Laizhou Taxation Bureau of Shandong Province.

(12) As mentioned in (11), Laizhou Binhai Sewage Treatment Co., Ltd. enjoys the policy of immediate withdrawal of VAT levied for the income of sewage treatment. The Binhai Company was registered and recorded in December 2017 in Laizhou Taxation Bureau of Shandong Province.

(13) According to the Notice on Promoting the Development of VAT, Business Tax and Enterprise Income Tax Policy for Energy-Saving Service Industry issued by the Ministry of Finance and the State Administration of Taxation (Finance and Taxation [2010] No. 110), Lairun Holdings enjoys the preferential policy of tax exemptions since 2017 for three years and halved in next three years.

(14) As mentioned in (13), Laizhou Binhai Sewage Treatment Co., Ltd. enjoys the preferential policy of tax exemptions since 2017 for three years and halved in next three years.

## **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 period-begin refers to 1 January

2018, the period-end refers to 30 June 2018 and this period refers to January – June 2018 with the last period of January – June 2017.

### 1. Monetary Funds

Item	Ending balance	Beginning balance
Cash on hand	122,746.45	49,343.08
Bank deposits	3,761,865,889.21	3,097,850,360.68
Other monetary funds	149,831,518.94	114,145,147.32
<b>Total</b>	<b>3,911,820,154.60</b>	<b>3,212,044,851.08</b>
Of which: total amount deposited in overseas	188,007,556.28	535,621,931.96

Notes: ① The ending balance of other monetary fund was the deposits of each margin deposit not withdrawn at any time.

② On 30 June 2018, the monetary funds deposited in overseas by the Company was RMB188,007,556.28

### 2. Financial Assets at Fair Value through Profit or Loss

Item	Ending balance	Beginning balance
Income from agreement of forward foreign exchange purchase	14,497,221.94	296,799.53
Transactional financial assets	—	—
<b>Total</b>	<b>14,497,221.94</b>	<b>296,799.53</b>

### 3. Notes Receivable

#### (1) Notes Receivable Listed by Category

Item	Ending balance	Beginning balance
Bank acceptance bill	2,174,328,097.06	3,324,023,541.23
Trade acceptance bill	2,440,923,143.51	1,854,645,447.00
<b>Total</b>	<b>4,615,251,240.57</b>	<b>5,178,668,988.23</b>

#### (2) Notes Receivable Pledged by the Company at the Period-end

Item	Amount
Bank acceptance bill	1,414,894,166.20
Trade acceptance bill	-
<b>Total</b>	<b>1,414,894,166.20</b>

Notes: Up to 30 June 2018, the Company pledged the banker's acceptance bill of the carrying

value of RMB1,414,894,166.20 for the comprehensive financing business such as handling the billing, letter of credit, letter of guarantee, 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 Period-end

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	-	10,000,000.00
Commercial acceptance bill	-	241,824,358.53
<b>Total</b>	<b>-</b>	<b>251,824,358.53</b>

Note: Up to 30 June 2018, the Company used the trade acceptance bill of the carrying value of RMB241,824,358.53 as discount of bank with right of recourse, getting RMB227,979,976.51 of short-term borrowings, and used the bank acceptance bill of the carrying value of RMB10,000,000.00 as discount of bank with right of recourse, getting RMB9,545,000.00 of short-term borrowings.

#### 4. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Category	Ending balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	23,544,065.47	0.49	23,544,065.47	100.00	-
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	-	-	-	-	-
Group 1: aging group	4,690,073,018.72	97.92	273,671,868.15	5.84	4,416,401,150.57
<b>Subtotal of groups</b>	<b>4,690,073,018.72</b>	<b>97.92</b>	<b>273,671,868.15</b>	<b>5.84</b>	<b>4,416,401,150.57</b>

Category	Ending balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	76,275,854.05	1.59	64,286,391.41	84.28	11,989,462.64
<b>Total</b>	<b>4,789,892,938.24</b>	<b>100</b>	<b>361,502,325.03</b>	<b>7.55</b>	<b>4,428,390,613.21</b>

(Continued)

Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant individual amount and make independent provision for bad debt	23,250,858.84	0.62	23,250,858.84	100.00	—
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	3,664,952,156.09	97.62	241,524,112.19	6.59	3,423,428,043.90
Subtotal of groups	<b>3,664,952,156.09</b>	<b>97.62</b>	<b>241,524,112.19</b>	<b>6.59</b>	<b>3,423,428,043.90</b>
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	65,920,181.32	1.76	46,252,277.96	70.16	19,667,903.36
<b>Total</b>	<b>3,754,123,196.25</b>	<b>100.00</b>	<b>311,027,248.99</b>	<b>8.28</b>	<b>3,443,095,947.26</b>

① Accounts receivable with significant individual amount and make independent provision for bad debt at the period-end

Accounts receivable (classified)	Ending balance
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	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
DSC HOLDINGS LIMITED	23,544,065.47	23,544,065.47	100	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	Ending balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	4,431,328,061.98	96,707,915.56	2.00-5.00
1 to 2 years	59,120,920.84	3,072,750.80	5.00-10.00
2 to 3 years	31,528,215.41	8,862,752.71	20.00-30.00
3 to 4 years	3,265,899.42	1,632,949.72	50.00
4 to 5 years	2,869,166.34	1,434,744.63	50.00-80.00
Over 5 years	161,960,754.73	161,960,754.73	100.00
<b>Total</b>	<b>4,690,073,018.72</b>	<b>273,671,868.15</b>	

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

Accounts receivable (classified by units)	Ending balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
H-BUSTER DO BRASIL INDUSTRIA	17,980,150.07	17,980,150.07	100	Difficult to recover
SUBSIDIARIES OF LITE-ON GROUP	17,433,707.52	17,433,707.52	100	Difficult to recover
HENAN BROADCAST & TELEVISION NETWORK CO., LTD.	4,580,000.00	1,374,000.00	30	Part of it is expected to be difficult to recover
HILEVEL CONSUMER ITALIA S.P.A	3,374,913.78	3,374,913.78	100	Difficult to recover
YUNNAN CABLE NETWORK GROUP CO., LTD	2,138,825.00	748,588.75	35	Part of it is expected to be difficult to recover

Accounts receivable (classified by units)	Ending balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Total	45,507,596.37	40,911,360.12		

## (2) Accounts Receivable Withdraw, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB29,523,274.52; the amount of the reversed or collected part during the Reporting Period was of RMB17,339,612.15. The increased amount was RMB30,781,473.78 due to the acquirement of controlling right of subsidiaries. The decreased amount was RMB5,196,395.05 due to the loss of controlling right of subsidiaries. The write-off amount was RMB0.

## (3) Top 5 of the Ending Balance of the Accounts Receivable Collected according to the Arrears Party

The total amount of top five of account receivable of ending balance collected by arrears party was RMB1,887,434,278.576, 39.40% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB37,748,685.57.

## 5. Prepayment

### (1) Listed by Aging Analysis

Aging	Ending amount			Beginning amount		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	897,670,289.17	99.17	340,443.14	466,156,792.72	99.06	175,964.90
1 to 2 years	3,257,733.06	0.36	84,702.50	1,199,279.69	0.25	565,892.65
2 to 3 years	950,621.94	0.11	329,339.03	23,736.73	0.01	—
Over 3 years	3,213,629.83	0.36	2,884,290.80	3,208,755.30	0.68	2,723,615.15
Total	905,092,274.00	100.00	3,638,775.47	470,588,564.44	100.00	3,465,472.70

Notes: (1) Significant prepayment with aging more than 1 year was mainly the prepayment of companies with no cooperation.

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

The total amount of top five of prepayment of closing balance collected by arrears party was RMB485,564,872.80, accounting for 53.65% of total closing balance of prepayment.

(3) The withdrawal amount of bad debt provision this year was of RMB228,596.09; the collected or reversed bad debt provision was RMB59,415.35 this year; and the write-off bad debt provision was RMB0.

## 6. Interest Receivable

Item	Ending balance	Beginning balance
Deposit interest	5,506,845.29	1,422,238.38
Entrusted loan interest and occupation fee of capital	210,456.02	391,018.39
<b>Total</b>	<b>5,717,301.31</b>	<b>1,813,256.77</b>

## 7. Dividends Receivable

Investee	Ending balance	Beginning balance
Shenzhen Jielunte Technology Co., Ltd	—	—
<b>Total</b>	<b>—</b>	<b>—</b>

## 8. Other Accounts Receivable

### (1) Other Accounts Receivable Disclosed by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	183,915,489.33	22.64	173,320,694.97	94.24	10,594,794.36
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	0.00	0.00	0.00		0.00
Group 1: aging group	625,783,203.74	77.05	35,182,845.12	5.62	590,600,358.62
<b>Subtotal of groups</b>	<b>625,783,203.74</b>	<b>77.05</b>	<b>35,182,845.12</b>	<b>5.62</b>	<b>590,600,358.62</b>



Category	Ending balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,515,181.05	0.31	733,893.68	29.18	1,781,287.37
<b>Total</b>	<b>812,213,874.12</b>	<b>100.00</b>	<b>209,237,433.77</b>	<b>25.76</b>	<b>602,976,440.35</b>

(Continued)

Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	183,915,489.33	47.74	173,320,694.97	94.24	10,594,794.36
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	198,796,860.68	51.61	28,768,843.02	14.47	170,028,017.66
<b>Subtotal of groups</b>	<b>198,796,860.68</b>	<b>51.61</b>	<b>28,768,843.02</b>	<b>14.47</b>	<b>170,028,017.66</b>
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	2,516,181.05	0.65	733,893.68	29.17	1,782,287.37
<b>Total</b>	<b>385,228,531.06</b>	<b>100.00</b>	<b>202,823,431.67</b>	<b>52.65</b>	<b>182,405,099.39</b>

① Other account receivable with significant single amount for which bad debt provision

separately accrued at the period-end

Other accounts receivable (unit)	Ending balance			Withdrawal reason
	Other accounts receivable	Bad debt provision	Withdrawal proportion	
Energy saving subsidy	152,402,680.00	152,402,680.00	100.00%	Difficult to recover
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	7,521,158.15	41.52%	Part of it is expected to be difficult to recover
Chongqing Konka Auto Electronic Company	13,396,856.82	13,396,856.82	100.00%	Irrecoverable, under bankruptcy liquidation
<b>Total</b>	<b>183,915,489.33</b>	<b>173,320,694.97</b>		

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

Aging	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	578,597,643.16	12,555,416.81	2.00-5.00
1 to 2 years	16,866,255.09	966,056.61	5.00-10.00
2 to 3 years	6,551,097.99	1,324,426.95	20.00-30.00
3 to 4 years	4,418,555.84	2,209,277.92	50.00
4 to 5 years	2,443,969.67	1,221,984.84	50.00-80.00
Over 5 years	16,905,681.99	16,905,681.99	100.00
<b>Total</b>	<b>625,783,203.74</b>	<b>35,182,845.12</b>	

### (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 1,814,413.27. The increased bad debt provision was RMB5,662,913.15 due to merger and acquisition; the amount of the reversed or collected part during the Reporting Period was of RMB 771,614.38. The decreased amount was RMB296,147.88 due to the loss of controlling right of subsidiaries. The write-off amount was RMB0.

### (3) Other Account Receivable Classified by Account Nature

Nature	Ending carrying amount
Energy-saving subsidies	152,402,680.00

Nature	Ending carrying amount
Intercourse funds of units	481,171,341.62
Deposit and margin	32,732,734.17
Pretty cash	6,811,882.40
Transferred funds	74,564,442.45
Others	64,530,793.48
<b>Total</b>	<b>812,213,874.12</b>

(4) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Name of units	Nature	Ending balance	Aging	Proportion of ending balance of the total other accounts receivable	Ending balance of bad debt provision
National energy-saving and benefiting people (Energy-saving subsidies)	Subsidies	152,402,680.00	1-2 years, 4-5 years, over 5 years	19.81	152,402,680.00
Jiangbei District Housing Authority	Transferred funds	61,167,585.63	Within 1 year	7.95	1,223,351.71
Export tax rebate receivables	Tax rebate	31,287,301.48	Within 1 year	4.07	625,746.03
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Transferred funds	18,115,952.51	3-4 years	2.35	7,521,158.15
Chongqing Konka Auto Electronic Company	Intercourse funds	13,396,856.82	2-3 years, 3-4 years, 4-5 years, over 5 years	1.74	13,396,856.82
<b>Total</b>	<b>—</b>	<b>276,370,376.44</b>		<b>35.92</b>	<b>175,169,792.71</b>

## 9. Inventory

### (1) Category of Inventory

Item	Ending balance
------	----------------

	Carrying amount	Of which: the capitalized amount of the borrowings	Falling price reserves	Carrying value
<b>Development projects of the property:</b>				
Development cost	563,064,669.44		0.00	563,064,669.44
Development products	11,823,931.07	94,119.39	0.00	11,823,931.07
Subtotal	<b>574,888,600.51</b>	94,119.39	<b>0.00</b>	<b>574,888,600.51</b>
<b>Non-development projects of the property:</b>				0.00
Raw materials	768,744,643.75		30,731,630.56	738,013,013.19
Semi-finished product	73,309,911.45		10,104,501.08	63,205,410.37
Inventory goods	3,785,679,772.30		318,860,184.08	3,466,819,588.22
Turnover material	43,294.21		0.00	43,294.21
Engineering construction	11,265,156.24		0.00	11,265,156.24
Subtotal	<b>4,639,042,777.95</b>	<b>0.00</b>	<b>359,696,315.72</b>	<b>4,279,346,462.23</b>
Total	<b>5,213,931,378.46</b>	<b>94,119.39</b>	<b>359,696,315.72</b>	<b>4,854,235,062.74</b>

(Continued)

Item	Beginning balance			
	Carrying amount	Of which: the capitalized amount of the borrowings	Falling price reserves	Carrying value
<b>Development projects of the property:</b>				
Development cost	382,096,368.17	—	—	382,096,368.17
Development products	17,203,260.25	94,119.39	—	17,203,260.25
Subtotal	<b>399,299,628.42</b>	<b>94,119.39</b>	<b>—</b>	<b>399,299,628.42</b>

Item	Beginning balance			
	Carrying amount	Of which: the capitalized amount of the borrowings	Falling price reserves	Carrying value
<b>Non-development projects of the property:</b>				
Raw materials	761,148,857.65	—	22,807,431.06	738,341,426.59
Semi-finished product	112,079,579.22	—	8,475,640.99	103,603,938.23
Inventory goods	3,740,419,327.12	—	291,591,777.78	3,448,827,549.34
Turnover material	291,022.95	—	—	291,022.95
Subtotal	<b>4,613,938,786.94</b>	—	<b>322,874,849.83</b>	<b>4,291,063,937.11</b>
Total	<b>5,013,238,415.36</b>	<b>94,119.39</b>	<b>322,874,849.83</b>	<b>4,690,363,565.53</b>

## (2) List of the Development Cost

Name of item	Starting time	Expected completion time of the next batch	Beginning amount	Ending amount
Phases of Shuiyue Zhouzhuang Project	2015	Finishing by phases, Phase IV is estimated to be finished in 2018	304,110,330.47	482,049,634.94
Innovation Center	April 2018	December 2022	77,986,037.70	81,015,034.50
Total			<b>382,096,368.17</b>	<b>563,064,669.44</b>

## (3) List of the Developed Products

Name of item	Completion time	Beginning amount	Increased	Decreased	Ending amount
Shuiyue Zhouzhuang Project (Phase I)	Y 2014	3,955,097.73			3,955,097.73
Shuiyue Zhouzhuang Project (Phase II)	Y 2015	2,072,508.39			2,072,508.39
Shuiyue	Y 2017	11,175,654.13		<b>5,379,329.18</b>	5,796,324.95

Name of item	Completion time	Beginning amount	Increased	Decreased	Ending amount
Zhouzhuang Project (Phase III)					
Total		<b>17,203,260.25</b>		<b>5,379,329.18</b>	<b>11,823,931.07</b>

#### (4) Falling Price Reserves of Inventory

Item	Beginning balance	Increased amount		Decreased amount			Ending balance
		Withdrawal	Other	Reverse	Write-off	Other	
Raw materials	22,807,431.06	9,384,807.50	1,257,185.73	399,577.86	2,318,215.87		30,731,630.56
Semi-finished product	8,475,640.99	2,653,611.25	0.00		1,024,751.16		10,104,501.08
Inventory goods	291,591,777.78	34,644,733.04	3,456,305.22	127,115.52	2,950,588.67	7,754,927.77	318,860,184.08
Total	<b>322,874,849.83</b>	<b>46,683,151.79</b>	<b>4,713,490.95</b>	<b>526,693.38</b>	<b>6,293,555.70</b>	7,754,927.77	359,696,315.72

Notes: other increase was due to the acquisition of control right by merging companies, and other decrease was due to the loss of control right to subsidiaries.

#### (5) Withdrawal Provision Basis of the Falling Price of the Inventory and the Reasons of the Write-off

Item	Specific basis of withdrawal of falling price reserves of inventory	Reasons for reverse	Reasons for write-off
Raw materials	The realizable net value was lower than the carrying value	—	Sold or disposed in the current period
Semi-finished product	The realizable net value was lower than the carrying value	—	Sold or disposed in the current period
Inventory goods	The realizable net value was lower than the carrying value	—	Sold in the current period

The decrease of inventories' market price in the first half year of 2018 resulted into the realizable net value of finished products and relevant raw materials value lower than inventory cost.

(6) Ending balance of the inventory which includes capitalized borrowing expenses was RMB 94,119.39.

### 10. Other Current Assets

Item	Ending balance	Beginning balance
Financial products	320,000,000.00	400,063,013.70
Entrusted financing	887,000,000.00	979,000,000.00
Unreached bank deposits		4,401,110.41
Prepayments and deductible taxes	638,595,871.52	331,862,744.70
<b>Total</b>	<b>1,845,595,871.52</b>	<b>1,715,326,868.81</b>

## 11. Available-for-sale Financial Assets

### (1) List of Available-for-sale Financial Assets

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Available-for-sale equity instruments	702,860,021.97	10,747,785.64	692,112,236.33	722,918,184.73	10,747,785.64	712,170,399.09
Of which: measured at fair value				58,162.76	-	58,162.76
Measured by cost	702,860,021.97	10,747,785.64	692,112,236.33	722,860,021.97	10,747,785.64	712,112,236.33
<b>Total</b>	<b>702,860,021.97</b>	<b>10,747,785.64</b>	<b>692,112,236.33</b>	<b>722,918,184.73</b>	<b>10,747,785.64</b>	<b>712,170,399.09</b>

### (2) Available-for-sale Financial Assets Measured by Cost at the Period-end

Investee	Carrying amount			
	Period-begin	Increased	Decreased	Period-end
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	20,000,000.00		20,000,000.00	0.00
Shenzhen Tianyilian Science & Technology Co., Ltd.	4,800,000.00			4,800,000.00
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



Investee	Carrying amount			
	Period-begin	Increased	Decreased	Period-end
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
Beijing Konka Technology Co., Ltd	4,700,000.00			4,700,000.00
Yibin OCT Sanjiang Real Estate Co., Ltd	120,000,000.00			120,000,000.00
Enraytek Optoelectronics (Shanghai) Co., Ltd.	61,494,666.97			61,494,666.97
Wuhan Tianyuan Environmental Protection Co., Ltd	239,447,355.00			239,447,355.00
Chongqing Konka Eurotomotive Electronic Co., Ltd. (Note)				0.00
<b>Total</b>	<b>722,860,021.97</b>	<b>0.00</b>	<b>20,000,000.00</b>	<b>702,860,021.97</b>

(Continued)

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increased	Decreased	Period-end		
Shenzhen Qianhai Qingsong Venture Capital Fund Enterprise	—	—	—	—	6.00	—
Shenzhen Tianyilian Science & Technology Co., Ltd.	—	—	—	—	6.10	—
Shenzhen A Dot TV Co., Ltd.	5,750,000.00	—	—	5,750,000.00	12.67	—
Feihong Electronics Co., Ltd.	1,300,000.00	—	—	1,300,000.00	9.60	—

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increased	Decreased	Period-end		
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	6.00	—
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	—	—	—	—	4.26	—
ChinaAMC - Jiayi Overseas Orientation Programs	—	—	—	—	—	13,740,000.00
Hunan Vary Science & Technology Co., Ltd.	—	—	—	—	8.38	—
Beijing Konka Technology Co., Ltd	—	—	—	—	3.62	—
Yibin OCT Sanjiang Real Estate Co., Ltd	—	—	—	—	20.00	—
Enraytek Optoelectronics (Shanghai) Co., Ltd.	—	—	—	—	18.90	—
Wuhan Tianyuan Environmental Protection Co., Ltd	—	—	—	—	15.22	—
Chongqing Konka Eurotomotive Electronic Co., Ltd.	—	—	—	—	—	—
<b>Total</b>	<b>10,747,785.64</b>	—	—	<b>10,747,785.64</b>	—	—

### (3) Changes of the Impairment of the Available-for-sale Financial Assets in the Reporting Period

Category of available-for-sale financial assets	Available-for-sale equity instruments
Withdrawn impairment balance at the period-begin	10,747,785.64
Withdrawal of the Reporting Period	—
Of which: transferred from other comprehensive income	—
Decrease of the Reporting Period	—
Of which: recovered or reversed from the fair value after the Period	—
Withdrawn impairment balance at the period-end	10,747,785.64

Note: On 27 March 2015, the People's Court of Jiangbei District, Chongqing handled the bankruptcy liquidation application of Chongqing Electronics, the subsidiary of this Company and established the liquidation group. This Company will not own the right of controlling related activities of Chongqing Electronics. After bankruptcy, it will not be included into the consolidation scope. It will be reclassified into the financial asset available for sale with the net value of zero. Liquidation has not been finished in the current period.

## 12. Long-term Equity Investment

Investee	Beginning balance	Increase/decrease in the Reporting Period				Other equity changes
		Additional investment	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	
<b>Associated enterprises</b>						
Shanghai Konka Green Science & Technology Co., Ltd.	79,729,560.91			-1,062,323.74	324,021.02	
Zhuhai Jinsu Plastic Co., Ltd.	9,444,160.97			627,916.90		
Shenzhen Jielunte Technology Co., Ltd ①	99,562,391.48			-6,716,864.96		
Panxu Intelligence Co., Ltd	48,417,046.08			226,132.34		
Shenzhen Zhongbin Konka technology co., Ltd.	14,317,400.80			-2,208,794.15		
Shenzhen Konka Intelligent Electric Co., Ltd	4,927,589.47			-2,065,657.20		
Shenzhen Konka Information Network Co., Ltd	26,462,212.34			196,728.66		
Shenzhen Yaode Technology Co., Ltd	210,279,132.55			3,705,243.63		
Guangdong Chutian Dragon Smart Card Co., Ltd.	617,214,571.50			10,226,294.00		
Guangdong Hotcomm Information Technology Co., Ltd	1,523,166.24			0.00		
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd	2,425,262.66			-939,401.62		

Investee	Beginning balance	Increase/decrease in the Reporting Period				Other equity changes
		Additional investment	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	
Shenzhen OCT Life Network Technology Co., Ltd	-22,084.12	3,771,400.00		0.00		
Kunshan Konka	205,706,932.86			3,587,367.82		
Weihai City Water Environmental Protection Technology Co., Ltd				0.00		
Weihai Yiheng Environment Technology Co.,Ltd						
Laizhou Lairun Financial Leasing Co., Ltd						
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd						
Shandong Bishuiyuan Environmental Protection Technology Co., Ltd						
Yantai Yikang Business Management Ceneter (LLP)						
Guangzhou Sanchuan Control System Engineering Equipment Co., Ltd				0.00		
Shenzhen Bosheng New Materials Co., Ltd		75,000,000.00		233,407.38		
Heilongjiang Longkang Zhijia Technology Co., Ltd		7,000,000.00		0.00		
Shanxi Silk Road Yunqi Intelligent Technology Co., Ltd		5,400,000.00		0.00		

Investee	Beginning balance	Increase/decrease in the Reporting Period				Other equity changes
		Additional investment	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	
Anhui Kaikai Shijie E-commerce Co., Ltd.				0.00		
Beijing Konka Jingyuan Technology Co., Ltd		760,000.00		0.00		
Shenzhen Xiaorui Technology Co., Ltd		98,000,000.00		265,133.53		
Konka Venture Capital Investment (Shenzhen) Co., Ltd		2,450,000.00				
Oriexcellent (Zhuhai) Assets Management Co., Ltd		6,000,000.00				
<b>Total</b>	<b>1,319,987,343.74</b>	<b>198,381,400.00</b>	<b>0.00</b>	<b>6,075,182.59</b>	<b>324,021.02</b>	<b>0.00</b>

(Continued)

Investee	Increase/decrease in the Reporting Period				Ending balance	Ending balance of impairment provision
	Declaration of cash dividends or profits	Withdrawn impairment provision	Cost method converted into equity method	Increased merger firms		
<b>Associated enterprises</b>						
Shanghai Konka Green Science & Technology Co., Ltd.					78,991,258.19	—
Zhuhai Jinsu Plastic Co., Ltd.					10,072,077.87	—
Shenzhen Jielunte Technology Co., Ltd ①					92,845,526.52	—

Panxu Intelligence Co., Ltd					48,643,178.42	—
Shenzhen Zhongbin Konka technology co., Ltd.					12,108,606.65	—
Shenzhen Konka Intelligent Electric Co., Ltd					2,861,932.27	—
Shenzhen Konka Information Network Co., Ltd					26,658,941.00	—
Shenzhen Yaode Technology Co., Ltd					213,984,376.18	—
Guangdong Chutian Dragon Smart Card Co., Ltd.					627,440,865.50	—
Guangdong Hotcomm Information Technology Co., Ltd					1,523,166.24	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd					1,485,861.04	—
Shenzhen OCT Life Network Technology Co., Ltd					3,749,315.88	—
Kunshan Konka					209,294,300.68	—
Weihai City Water Environmental Protection Technology Co., Ltd				2,027,201.88	2,027,201.88	
Weihai Yiheng Environment Technology Co.,Ltd				4,337,942.19	4,337,942.19	
Laizhou Lairun Financial Leasing Co., Ltd				100,033,567.26	100,033,567.26	
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd				63,492,789.75	63,492,789.75	
Shandong Bishuiyuan Environmental				22,232,418.57	22,232,418.57	

Protection Technology Co., Ltd						
Yantai Yikang Business Management Ceneter (LLP)				648,000.00	648,000.00	
Guangzhou Sanchuan Control System Engineering Equipment Co., Ltd				10,000,000.00	10,000,000.00	
Shenzhen Bosheng New Materials Co., Ltd					75,233,407.38	
Heilongjiang Longkang Zhijia Technology Co., Ltd					7,000,000.00	
Shanxi Silk Road Yunqi Intelligent Technology Co., Ltd					5,400,000.00	
Anhui Kaikai Shijie E-commerce Co., Ltd.			460,000,000.00		460,000,000.00	
Beijing Konka Jingyuan Technology Co., Ltd					760,000.00	
Shenzhen Xiaorui Technology Co., Ltd					98,265,133.53	
Konka Venture Capital Investment (Shenzhen) Co., Ltd					2,450,000.00	
Oriexcellent (Zhuhai) Assets Management Co., Ltd					6,000,000.00	
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>460,000,000.00</b>	<b>202,771,919.65</b>	<b>2,187,539,867.00</b>	<b>—</b>



Note: ①Shenzhen Konka Precision Mold Manufacturing Co., Ltd was renamed as Shenzhen Jielunte Technology Co., Ltd on 20 April 2018.

### 13. Investment Property

#### Investment Property Adopted the Cost Measurement Mode

Item	Houses and buildings	Total
I. Original carrying value		
1. Beginning balance	249,923,047.75	249,923,047.75
2. Increased amount of the period	—	—
3. Decreased amount of the period	—	—
4. Ending balance	249,923,047.75	249,923,047.75
II. The accumulative depreciation and accumulative amortization		
1. Beginning balance	33,467,417.76	33,467,417.76
2. Increased amount of the period	2,815,637.15	2,815,637.15
Withdraw or amortization	2,815,637.15	2,815,637.15
3. Decreased amount of the period	—	—
4. Ending balance	36,283,054.91	36,283,054.91
III. Impairment provision		
1. Beginning balance	—	—
2. Increased amount of the period	—	—
3. Decreased amount of the period	—	—
4. Ending balance	—	—
IV. Carrying value		
1. Ending carrying value	213,639,992.84	213,639,992.84
2. Beginning carrying value	216,455,629.99	216,455,629.99

## 14. Fixed Assets

### (1) List of Fixed Assets

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
I. Original carrying value						
1. Beginning balance	1,559,039,774.48	715,947,835.05	187,109,755.76	49,930,623.13	174,208,488.89	2,686,236,477.31
2. Increased amount of the period	167,412,660.07	202,563,637.23	8,911,081.35	10,120,140.22	49,222,115.30	438,229,634.17
(1) Purchase	384,266.06	45,787,673.49	7,605,512.75	1,005,292.68	12,075,285.03	66,858,030.01
(2) Transfer of project under construction	17,325,661.28	8,871,138.39	15,400.00	1,610,504.29	5,394,043.03	33,216,746.99
(3) increase of business combination	149,702,732.73	147,904,825.35	1,290,168.60	7,504,343.25	31,752,787.24	338,154,857.17
3. Decreased amount of the period	3,147,948.27	55,651,559.18	12,340,532.22	2,355,940.70	13,101,858.54	86,597,838.91
(1) Disposal or Scrap	3,147,948.27	55,483,214.12	12,340,532.22	2,355,940.70	13,101,858.54	86,429,493.85
(2) decrease of loss of controlling right	0.00	168,345.06	0.00	0.00	0.00	168,345.06
4. Ending balance	1,723,304,486.28	862,859,913.10	183,680,304.89	57,694,822.65	210,328,745.65	3,037,868,272.57

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
II. Accumulative depreciation						
1. Beginning balance	367,660,000.41	428,143,422.45	129,422,777.12	36,768,297.26	115,293,690.98	1,077,288,188.22
2. Increased amount of the period	58,501,360.68	117,083,959.55	11,799,023.66	5,407,726.87	22,465,416.81	215,257,487.57
(1) Withdrawal	19,721,777.35	52,337,774.41	11,149,709.12	1,864,790.85	14,903,165.88	99,977,217.61
3. Decreased amount of the period	38,779,583.33	64,746,185.14	649,314.54	3,542,936.02	7,562,250.93	115,280,269.96
(1) Disposal or Scrap	2,403,761.41	42,556,170.47	8,863,984.18	2,463,354.38	9,771,651.56	66,058,922.00
(2) decrease of loss of controlling right	2,403,761.41	42,556,170.47	8,798,985.45	2,463,354.38	9,771,651.56	65,993,923.27
4. Ending balance	0.00	0.00	64,998.73	0.00	0.00	64,998.73
III. Depreciation reserves	423,757,599.68	502,671,211.53	132,357,816.60	39,712,669.75	127,987,456.23	1,226,486,753.79
1. Beginning balance						
2. Increased amount of the period	1,064,479.47	17,067,824.99	1,249,373.18	862,703.36	1,533,559.74	21,777,940.74
(1) Withdrawal	-	2,170,185.45	-	-	-	2,170,185.45
3. Decreased amount of the	-	0.00	0.00	-	0.00	0.00

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
period						
(1) Disposal or Scrap	-	2,170,185.45	0.00	-	0.00	2,170,185.45
(2) decrease of loss of controlling right	0.00	1,037,548.46	425,131.58	21,775.12	183,963.57	1,668,418.73
4. Ending balance	0.00	1,037,548.46	425,131.58	21,775.12	183,963.57	1,668,418.73
IV. Carrying value	-	-	-	-	0.00	0.00
1. Ending carrying value	1,064,479.47	18,200,461.98	824,241.60	840,928.24	1,349,596.17	22,279,707.46
2. Beginning carrying value						
	1,298,482,407.13	341,988,239.59	50,498,246.69	17,141,224.66	80,991,693.25	1,789,101,811.32
	1,190,315,294.60	270,736,587.61	56,437,605.46	12,299,622.51	57,381,238.17	1,587,170,348.35

## (2) List of Temporarily Idle Fixed Assets

Item	Original carrying value	Accumulative depreciation	Impairment provision	Carrying value
Mechanical equipment	17,316,561.19	7,128,572.44	7,419,088.45	2,768,900.30
Electronic equipment	4,417,917.35	4,417,917.35	0.00	0.00
Other equipment	157,611.28	157,611.28	0.00	0.00
<b>Total</b>	<b>21,892,089.82</b>	<b>11,704,101.07</b>	<b>7,419,088.45</b>	<b>2,768,900.30</b>

**(3) Fixed Assets Leased in from Financing Lease**

Item	Original carrying value	Accumulative depreciation	Impairment provision	Carrying value
Mechanical equipment	29,163,849.33	5,088,859.14	0.00	24,074,990.19
Electronic equipment	205,128.20	136,752.13	0.00	68,376.07
<b>Total</b>	<b>29,368,977.53</b>	<b>5,225,611.27</b>	<b>0.00</b>	<b>24,143,366.26</b>

**(4) Fixed Assets Leased out from Operation Lease**

Item	Ending carrying value
Houses and buildings	33,819,268.21
<b>Total</b>	<b>33,819,268.21</b>

**(5) Details of Fixed Assets Failed to Accomplish Certification of Property**

Item	Original carrying value	Accumulative depreciation	Impairment provision	Net carrying value	Reason
Kangsheng Aquatic Club	21,481,356.96	2,363,211.89	—	19,118,145.07	Under processing
Huaguoyuan Project in Huaguoyuan Road, Guiyang	3,628,629.00	129,269.92	—	3,499,359.08	Under processing
Pangjiang Street Property in Dadong District, Shenyang	10,189,892.23	842,885.68	—	9,347,006.55	The problems of developers
Yinhai Shangyu Property in Guandu District, Kunming	5,432,239.86	244,450.82	—	5,187,789.04	Under processing
Jingyuan Building	20,018,497.00	8,194,102.38	—	11,824,394.62	Historical reasons
Yikang Building	76,610,752.33	31,733,590.84	—	44,877,161.49	Historical reasons

**15. Construction in Progress****(1) List of Construction in Progress**

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Kunshan Kangsheng	—	—	0.00	29,125,312.81	—	29,125,312.81

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
- Green Park						
Guangming Project	83,241,261.25	—	83,241,261.25	76,514,067.90	—	76,514,067.90
Kunshan gallery	2,351,789.02	—	2,351,789.02	1,643,881.07	—	1,643,881.07
Other small projects	35,051,674.26	—	35,051,674.26	28,580,559.23	—	28,580,559.23
<b>Total</b>	<b>120,644,724.53</b>	<b>—</b>	<b>120,644,724.53</b>	<b>135,863,821.01</b>	<b>—</b>	<b>135,863,821.01</b>

## (2) Changes of Significant Construction in Progress

Name of item	Estimated number	Beginning balance	Increase Amount	Amount that transferred to long-term fixed assets of the period	Other decreased amount of the period	Ending balance
Guangming Project	RMB241 million	76,514,067.90	6,727,193.35			83,241,261.25
Green Park	RMB35 million	29,125,312.81	0.00	29,125,312.81		0.00
Kunshan gallery	RMB263 million	1,643,881.07	707,907.95			2,351,789.02
Other small projects		28,580,559.23	20,860,829.46	14,389,714.43		35,051,674.26
<b>Total</b>		<b>135,863,821.01</b>	<b>28,295,930.76</b>	<b>43,515,027.24</b>		<b>120,644,724.53</b>

(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
Guangming Project	34.54	34.54	—	—	—	Self-owned fund
Green Park	90.63	90.63	—	—	—	Self-owned fund

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	8.81	8.81	—	—	—	Self-owned fund

## 16. Intangible Assets

### (1) List of intangible assets

Item	Land use right	Foreign registered trademark	Patent and know-how	Franchise rights	Other	Total
I. Original carrying value						
1. Beginning balance	196,989,129.47	3,519,159.61	40,234,111.64		66,665,916.59	307,408,317.31
2. Increased amount of the period	73,106,270.05	0.00	11,221,785.00	139,050,625.01	4,805,660.47	228,184,340.53
(1) Purchase	0.00	0.00	0.00		2,753,050.37	2,753,050.37
(2) Transfer of project under construction	0.00	0.00	0.00		0.00	0.00
(3) increase of business combination	73,106,270.05	0.00	11,221,785.00	139,050,625.01	2,052,610.10	225,431,290.16
3. Decreased amount of the period	1,170,000.00	0.00	0.00	0.00	0.00	1,170,000.00
(1) Disposal	1,170,000.00				0.00	1,170,000.00
(2) other decrease	0.00			0.00		0.00
4. Ending balance	268,925,399.52	3,519,159.61	51,455,896.64	139,050,625.01	71,471,577.06	534,422,657.84

Item	Land use right	Foreign registered trademark	Patent and know-how	Franchise rights	Other	Total
II.						
Accumulated amortization						0.00
1. Beginning balance	34,734,302.29	3,519,159.61	34,420,126.84		26,775,872.27	99,449,461.01
2. Increased amount of the period	11,472,335.15	0.00	276,920.89	4,442,025.00	4,478,725.34	20,670,006.38
(1) Withdrawal	2,636,294.83	0.00	276,920.89	740,337.50	3,146,460.46	6,800,013.68
(2) increase of business combination	8,836,040.32	0.00	0.00	3,701,687.50	1,332,264.88	13,869,992.70
3. Decreased amount of the period	947,700.00	0.00	0.00	0.00	0.00	947,700.00
(1) Disposal	947,700.00					947,700.00
(2) other decrease	—					0.00
4. Ending balance	45,258,937.44	3,519,159.61	34,697,047.73	4,442,025.00	31,254,597.61	119,171,767.39
III.						
Depreciation reserves						0.00
1. Beginning balance			2,901,082.61			2,901,082.61
2. Increased amount of the period						0.00
(1) Withdrawal						0.00



Item	Land use right	Foreign registered trademark	Patent and know-how	Franchise rights	Other	Total
3. Decreased amount of the period						0.00
(1) Disposal						0.00
(2) other decrease						0.00
4. Ending balance	0.00	0.00	2,901,082.61		0.00	2,901,082.61
IV. Carrying value						0.00
1. Ending carrying value	223,666,462.08	0.00	13,857,766.30	134,608,600.01	40,216,979.45	412,349,807.84
2. Beginning carrying value	162,254,827.18	0.00	2,912,902.19		39,890,044.32	205,057,773.69

## 17. Goodwill

### (1) Original Carrying Value of Goodwill

Name of the investees or the events formed goodwill	Beginning balance	Increased		Decreased		Ending balance
		Formed from the business combination	Other	Dispose	Other	
Anhui Konka	3,597,657.15		—	—	—	3,597,657.15
Econ Technology		460,743,447.02				460,743,447.02
Xingda Hongye		35,680,773.95				35,680,773.95
Beihai Jingmai		3,208,303.51				3,208,303.51
Econ Environmental Engineering		2,800,000.00				2,800,000.00
<b>Total</b>	<b>3,597,657.15</b>	<b>502,432,524.48</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>506,030,181.63</b>

### (2) Provisions for Goodwill Impairment

Name of the investees or the events formed goodwill	Beginning balance	Increased		Decreased		Ending balance
		Withdrawal	Other	Dispose	Other	

Name of the investees or the events formed goodwill	Beginning balance	Increased		Decreased		Ending balance
		Withdrawal	Other	Dispose	Other	
Anhui Konka	—	—	—	—	—	—
Econ Technology	—	—	—	—	—	—
Xingda Hongye	—	—	—	—	—	—
Beihai Jingmai	—	—	—	—	—	—
Econ Environmental Engineering	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

### 18. Long-term Unamortized Expenses

Item	Beginning balance	Increased amount	Amortization amount	Other decrease amount	Ending amount
Renovation costs	23,241,203.51	27,609,384.34	5,032,922.46	0.00	45,817,665.39
Shoppe expense	56,402,256.28	24,554,895.87	22,413,323.85	17,439.56	58,526,388.74
Other	70,417,477.51	6,012,231.03	12,045,640.32	585.42	64,383,482.80
<b>Total</b>	<b>150,060,937.30</b>	<b>58,176,511.24</b>	<b>39,491,886.63</b>	<b>18,024.98</b>	<b>168,727,536.93</b>

Notes: Other decrease included the decreased amount RMB0.00 mainly generated from the loss of control over subsidiaries.

### 19. Deferred Income Tax Assets/Deferred Income Tax Liabilities

#### (1) Deferred Income Tax Assets without Offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	865,728,820.65	211,783,617.94	796,345,288.62	197,835,345.27
Unrealized internal sales gain and loss	54,102,230.48	13,525,557.62	32,715,116.95	8,178,779.24
Accrued expenses	77,434,022.64	18,633,318.72	118,441,697.07	28,839,536.61
Deferred income	99,261,495.92	23,710,167.52	106,943,380.58	25,500,563.17
Deductible losses	552,517,701.19	135,814,854.93	2,250,284.11	364,943.32

Changes in fair value of transactional financial liabilities	0.00		47,482,470.52	11,870,617.63
others	177,909,267.07	43,724,265.15	141,409,911.41	35,352,477.88
<b>Total</b>	<b>1,826,953,537.95</b>	<b>447,191,781.88</b>	<b>1,245,588,149.26</b>	<b>307,942,263.12</b>

## (2) Lists of Deferred Income Tax Liabilities without Offset

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Accelerated depreciation of fixed assets	5,237,869.27	785,680.39	6,889,703.33	1,033,455.50
Change in fair value of trading financial assets	12,372,942.00	3,093,235.50	---	---
Change in fair value of available-for-sale financial assets		---	---	---
Prepaid interests	142,724,394.92	35,681,098.73	45,386,505.16	11,346,626.29
Prepaid taxes	1,452,756.00	363,189.00	1,026,206.42	256,551.61
Expected equity transfer	96,862,745.08	24,215,686.27		
<b>Total</b>	<b>258,650,707.27</b>	<b>64,138,889.89</b>	<b>53,302,414.91</b>	<b>12,636,633.40</b>

## (3) List of Unrecognized Deferred Income Tax Assets

Item	Ending balance	Beginning balance
Deductible temporary difference	135,874,599.56	132,372,523.56
Deductible losses	1,055,016,010.25	1,085,593,457.20
<b>Total</b>	<b>1,190,890,609.81</b>	<b>1,217,965,980.76</b>

## 20. Assets Impairment Provision

Item	Beginning balance	Increased		Decreased		Ending balance
		Withdrawal	Increase of combination or other	Reverse	Write-off or others	
I. Bad debt provision	517,316,153.36	31,566,283.88	49,098,516.01	18,170,641.88	5,431,777.10	574,378,534.27
II. Impairment of inventories	322,874,849.83	46,683,151.79	4,713,490.95	526,693.38	14,048,483.47	359,696,315.72
III. Impairment provision	10,747,785.64	0.00	0.00	0.00		10,747,785.64

Item	Beginning	Increased		Decreased		Ending balance
of the available-for-sale financial assets						
IV. Impairment provision of the fixed assets	21,777,940.74	0.00	2,170,185.45	0.00	1,668,418.73	22,279,707.46
V. Impairment provision of the intangible assets	2,901,082.61	0.00	0.00	0.00		2,901,082.61
VI. Long-term equity investment		0.00	0.00	0.00		0.00
<b>Total</b>	<b>875,617,812.18</b>	<b>78,249,435.67</b>	<b>55,982,192.41</b>	<b>18,697,335.26</b>	<b>21,148,679.30</b>	<b>970,003,425.70</b>

## 21. Other Non-current Assets

Item	Ending balance	Beginning balance
Prepayment for equipment	41,422,528.53	1,122,880.00
Prepayment for house-purchase	10,099,279.84	8,167,948.00
Entrusted loans	20,000,000.00	20,000,000.00
<b>Total</b>	<b>71,521,808.37</b>	<b>29,290,828.00</b>

## 22. Short-term Loans

Item	Ending balance	Beginning balance
Credit loan	41,422,528.53	1,122,880.00
Guaranteed loan	10,099,279.84	8,167,948.00
Mortgage loan	20,000,000.00	20,000,000.00
Pledged loan	<b>71,521,808.37</b>	<b>29,290,828.00</b>
<b>Total</b>	<b>10,397,447,703.32</b>	<b>6,927,472,037.35</b>

Note: ① Konka Household Appliances International Trading took US\$72,000,000.00 usance letter of credit with 360 days as pledge, obtaining RMB476,395,071.41 short-term loans.

② Konka Factoring discounted the notes receivable with right of recourse, obtaining RMB237,524,976.51 short-term loans in equal amount.

③ Xingda Hongye obtained mortgage loan RMB210,700,000.00 by house and building with carrying value of RMB60,288,708.63 and land use rights with carrying value of RMB38,617,359.68

## 23. Financial Liabilities at Fair Value through Profit or Loss

Item	Ending balance	Beginning balance
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Item	Ending balance	Beginning balance
Loss from forward foreign exchange purchase agreement	1,827,480.43	47,482,470.50
<b>Total</b>	<b>1,827,480.43</b>	<b>47,482,470.50</b>

## 24. Notes Payable

Category	Ending balance	Beginning balance
Trade acceptance	610,205,567.87	133,211,455.00
Bank's acceptance bill	316,197,091.42	407,963,857.09
<b>Total</b>	<b>926,402,659.29</b>	<b>541,175,312.09</b>

Notes: The amount of notes payable due during the next accounting period was RMB926,402,659.29.

## 25. Accounts Payable

### (1) List of Accounts Payable

Aging	Ending balance	Beginning balance
Within 1 year	3,597,923,005.02	3,519,530,711.60
1 to 2 years	57,570,544.64	53,966,422.15
2 to 3 years	9,634,490.48	5,991,933.36
Over 3 years	33,417,303.91	32,727,199.48
<b>Total</b>	<b>3,698,545,344.05</b>	<b>3,612,216,266.59</b>

### (2) Significant Accounts Payable Aging over One Year

Item	Ending balance	Unpaid/ Un-carry-over reason
Estimated construction costs	18,271,970.18	Unsettled
Payment for material purchase	17,920,695.44	Unsettled
<b>Total</b>	<b>36,192,665.62</b>	

## 26. Advances from Customers

### (1) List of Advances from Customers

Item	Ending balance	Beginning balance
Within 1 year	888,441,204.46	571,998,516.53
1 to 2 years	9,866,764.66	36,662,083.53
2 to 3 years	13,858,968.24	14,937,831.50

Item	Ending balance	Beginning balance
Over 3 years	24,505,478.96	16,912,352.61
<b>Total</b>	<b>936,672,416.32</b>	<b>640,510,784.17</b>

(2) The Significant Advances from Customers Aging over One Year Were Mainly the Advances from Customers from Companies without Continuous Cooperation.

### (3) Advance Receipts of Houses

Item	Ending balance	Beginning balance
Shuiyue Zhouzhuang Project (Phase I Residence)	2,383,130.00	2,383,130.00
Shuiyue Zhouzhuang Project (Phase II Residence)	2,559,493.00	2,559,493.00
Shuiyue Zhouzhuang Project (Phase III Residence)	2,126,839.00	11,129,253.00
Shuiyue Zhouzhuang Project (Phase IV Residence)	115,062,809.00	30,861,638.00
<b>Total</b>	<b>122,132,271.00</b>	<b>46,933,514.00</b>

## 27. Payroll Payable

### (1) List of Payroll Payable

Item	Beginning balance	Increase	Other increase	Decrease	Other decrease	Ending balance
I. Short-term salary	289,046,664.85	639,875,510.00	11,618,430.65	749,247,534.97	2,060,020.02	189,233,050.51
II. Post-employment benefit-defined	2,323,632.82	58,833,576.00	6,597.36	53,275,816.00	16,540.85	7,871,449.33

Item	Beginning balance	Increase	Other increase	Decrease	Other decrease	Ending balance
contribution plans						
III. Termination benefits		1,168,975.44	0.00	1,168,975.44	0.00	0.00
IV. Other benefits due within one year						0.00
<b>Total</b>	<b>291,370,297.67</b>	<b>699,878,061.44</b>	<b>11,625,028.01</b>	<b>803,692,326.41</b>	<b>2,076,560.87</b>	<b>197,104,499.84</b>

## (2) List of Short-term Salary

Item	Beginning balance	Increase	Other increase	Decrease	Other decrease	Ending balance
1. Salary, bonus, allowance, subsidy	275,524,552.33	556,001,754.87	11,310,409.72	674,937,666.70	1,794,961.49	166,104,088.73
2. Employee welfare	4,562,983.10	31,644,919.42	0.00	25,543,116.73	3,235.51	10,661,550.28
3. Social insurance	2,816,379.51	28,995,101.22	3,199.92	26,185,328.94	128,405.25	5,500,946.46
Of which: 1. Medical insurance premiums	815,364.61	25,523,063.63	2,529.60	23,805,844.80	127,521.51	2,407,591.53
Work-related injury insurance	247,215.23	1,587,821.19	352.80	1,333,628.03	445.00	501,316.19
Maternity insurance	1,753,799.67	1,884,216.40	317.52	1,045,856.11	438.74	2,592,038.74
4. Housing fund	299,531.17	12,272,740.04	0.00	12,332,139.98	7,204.63	232,926.60
5. Labor union budget and employee education budget	3,624,491.64	4,793,354.11	269,437.80	3,106,294.57	126,213.14	5,454,775.84

Item	Beginning balance	Increase	Other increase	Decrease	Other decrease	Ending balance
6. Short-term absence with payment						0.00
7. Short-term profit sharing plan						0.00
8. Other	2,218,727.10	6,167,640.34	35,383.21	7,142,988.05	0.00	1,278,762.60
Total	289,046,664.85	639,875,510.00	11,618,430.65	749,247,534.97	2,060,020.02	189,233,050.51

### (3) List of Defined Contribution Plan

Item	Beginning balance	Increase	Other increase	Decrease	Other decrease	Ending balance
1. Basic pension benefits	2,096,931.52	57,401,468.77	6,350.40	51,852,532.03	15,368.97	7,636,849.69
2. Unemployment insurance	226,701.30	1,432,107.23	246.96	1,423,283.97	1,171.88	234,599.64
3. Annuity		0.00	0.00	0.00	0.00	0.00
Total	2,323,632.82	58,833,576.00	6,597.36	53,275,816.00	16,540.85	7,871,449.33

The Company, in line with the requirement, participate the endowment insurance, unemployment insurance scheme and so on, according to the scheme, the Company monthly pay to the scheme in line with requirements of local government, except the monthly payment, the Company no longer shoulder the further payment obligation, the relevant expense occurred was recorded into current profits and losses or related assets costs.

### 28. Taxes Payable

Item	Ending balance	Beginning balance
VAT	22,655,545.28	47,749,976.31
Corporate income tax	47,395,613.36	1,124,832,572.96
Fund for disposing abandoned appliances and electronic products	10,733,357.08	23,666,123.67
Land use tax	2,043,328.90	1,855,882.68



Item	Ending balance	Beginning balance
Real estate tax	3,876,005.59	4,802,640.61
Business tax	401,823.10	401,823.10
Tariff	3,240,037.08	3,451,843.43
Personal income tax	2,691,802.73	3,570,618.46
Urban maintenance and construction tax	1,964,597.39	4,155,984.89
Stamp duty	723,813.88	1,851,821.21
Education fees and local education Surcharge	1,646,083.02	4,749,633.12
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	264,623.34	344,630.28
Land VAT	98,073,836.96	104,967,760.07
Others	2,782,683.66	167,783.74
<b>Total</b>	<b>198,493,151.37</b>	<b>1,326,569,094.53</b>

## 29. Interest Payable

Item	Ending balance	Beginning balance
Loan interests	44,957,010.99	35,723,963.94
<b>Total</b>	<b>44,957,010.99</b>	<b>35,723,963.94</b>

## 30. Other Payables

### (1) Other Payables Listed by Nature of Account

Item	Ending balance	Beginning balance
Expenses payable	915,409,402.16	826,839,671.60
Cash deposit and front money	364,632,999.76	472,308,401.08
Intercourse funds	641,055,203.42	222,637,701.31
Payment on behalf	1,369,414.67	3,606,727.50
Payment for stock rights	350,500,000.00	
Other	101,334,139.43	82,966,804.38
<b>Total</b>	<b>2,374,301,159.44</b>	<b>1,608,359,305.87</b>

### (2) Significant Other Payables Aging over One Year

Item	Ending balance	Unpaid/Un-carry-over reason
Cash deposit	123,137,443.40	Unsettled
Total	<b>123,137,443.40</b>	—

### 31. Current Portion of Non-current Liabilities

Item	Ending balance	Beginning balance
Current portion of long-term borrowings (Note VI-32)	10,000,000.00	
Current portion of long-term payables (Note VI-33)	165,596.84	374,358.99
Total	<b>10,165,596.84</b>	<b>374,358.99</b>

### 32. Long-term Borrowings

Item	Period-end	Period-beginning
Credit loan	316,000,000.00	167,000,000.00
Guarantee loan	150,000,000.00	
Pledge loan	45,000,000.00	
Less: current portion of long-term borrowings	10,000,000.00	
Total	<b>501,000,000.00</b>	<b>167,000,000.00</b>

Note: (1) Rushan Yike Water Treatment Co., Ltd., the Company's subsidiary, obtained a borrowing of RMB290 million from Yantai Economic Development Zone Branch of China Everbright Bank with the period of ten years from the date of drawings on. The service charge of Rushan Finance Bureau for Rushan Silver Beach PPP Project was taken as the pledge during the 29 December 2016 to 28 December 2026. In the meanwhile, the Company provided the guarantee and undertook joint several liabilities regarding the aforesaid borrowing. As of 30 June 2018, the actual borrowing was RMB150 million.

(2) Laizhou Lairun Holdings Co., Ltd., the Company's subsidiary, made the sale-lease-back transaction with Laizhou Lairun Finance Lease Co., Ltd., the Company's joint stock company, with guarantee amount of RMB50 million, pledged by the future charging right of sewage plant of Laizhou Lairun Holdings Co., Ltd. As of 30 June 2018, the ending balance of the pledge loan was RMB45 million.

### 33. Long-term Payables

Item	Ending balance	Beginning balance
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Item	Ending balance	Beginning balance
Accrued financing lease outlay	11,796,936.49	435,897.45
Less: current portion (Note VI-31)	165,596.84	374,358.99
<b>Total</b>	<b>11,631,339.65</b>	<b>61,538.46</b>

### 34. Long-term Payroll Payable

#### (1) List of Long-term Payroll Payable

Item	Ending balance	Beginning balance
I. Termination benefits-net liabilities of defined contribution plans	11,440,243.54	13,361,821.86
II. Termination benefits	—	—
III. Other long term welfare	—	—
<b>Total</b>	<b>11,440,243.54</b>	<b>13,361,821.86</b>

#### (2) Changes in Defined Benefit Pension Schemes

##### ① Present Worth of Defined Benefit Pension Schemes Obligation:

Item	Reporting Period	Same period of last year
I. Beginning balance	<b>13,361,821.86</b>	18,151,659.90
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. The cost of defined benefit recorded into other comprehensive income	—	—
1. Actuarial gains (loss “-“)	—	—
IV. Other changes	1,921,578.32	2,536,813.42
1. Consideration paid when settled	—	—
2. Welfare paid	1,921,578.32	2,536,813.42

Item	Reporting Period	Same period of last year
V. Ending balance	<b>11,440,243.54</b>	<b>15,614,846.48</b>

② Notes to the influence of the content and related risk of defined benefit pension schemes 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 Telecommunication Technology Co., Ltd on the premise to balance the Company's and employees' benefits and voluntary selection, Telecommunication Technology provides early retirement plans for senior employees (employed before 31 December 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 RMB11,440,243.54, 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 Actuarial Assumptions and Sensibility Analysis Result of Defined Benefit Pension Schemes

Significant 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%	—

### 35. Provisions

Item	Ending balance	Beginning balance	Reason for formation
Pending litigations	82,042.98	4,711,597.59	Litigation
Other	1,470,267.51	1,470,267.51	Contract consideration

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Total	<b>1,552,310.49</b>	<b>6,181,865.10</b>
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### 36. Government Subsidies

#### 1. Government Subsidies Initially Recognized during the Reporting Period

Item	Amount	Related to assets		Related to income				Whether received actually
		Deferred income	Offsetting carrying value of assets	Deferred income	Other income	Non-operating income	Offsetting cost expenses	
I. Government subsidies related to income								
Rewards and subsidies Support fund	28,748,955.99	—	—	—	18,563,333.33	10,185,622.66	—	Yes
Tax rebate for software	34,848,961.96	—	—	—	34,848,961.96	—	—	Yes
Support fund	48,012,477.79	—	—	—	48,012,477.79	—	—	Yes
Subsidies for L/C export	132,738.00	—	—	—	132,738.00	—	—	Yes
Subsidies for posts	3,229,884.31	—	—	—	3,229,884.31	—	—	Yes
Other government subsidies related to income	7,409,880.69	—	—	—	6,133,800.00	1,276,080.69	—	Yes
II. Government Subsidies related to assets								
Subsidy for Yantai Konka Life Science Innovation Center	10,000,000.00	10,000,000.00	—	—	—	—	—	Yes
Other government subsidies related to assets	2,916,666.67	2,916,666.67	—	—	—	—	—	Yes
<b>Total</b>	<b>135,299,565.41</b>	<b>12,916,666.67</b>	<b>0.00</b>	<b>0.00</b>	<b>110,921,195.39</b>	<b>11,461,703.35</b>	<b>—</b>	

#### 2. Government Subsidies Recorded into the Current Profit or Loss

Item	Related to assets/income	Recorded into other income	Recorded into non-operating income	Offsetting cost expenses

Item	Related to assets/income	Recorded into other income	Recorded into non-operating income	Offsetting cost expenses
Rewards and subsidies	Related to income	18,563,333.33	10,185,622.66	—
Tax rebate for software	Related to income	34,848,961.96	—	—
Support fund	Related to income	48,012,477.79	—	—
Transferred from deferred income	Related to assets/income	12,105,088.11	—	—
Subsidies for L/C export	Related to income	132,738.00	—	—
Subsidies for posts	Related to income	3,229,884.31	—	—
Other	Related to income	6,133,800.00	1,276,080.69	—
<b>Total</b>		<b>123,026,283.50</b>	<b>11,461,703.35</b>	—

### 3. Government Subsidies Returned in the Reporting Period

No such case in the Reporting Period.

### 37. Deferred Income

Item	Beginning balance	Increase	Decrease	Other decrease	Ending balance	Reason for formation
Government subsidies	130,049,911.87	12,916,666.67	12,105,088.11	0.00	130,861,490.43	Related to assets/income
<b>Total</b>	<b>130,049,911.87</b>	<b>12,916,666.67</b>	<b>12,105,088.11</b>	<b>0.00</b>	<b>130,861,490.43</b>	—

Notes: Other decrease in the Reporting Period was mainly caused by the loss of controlling rights over the subsidiaries.

Of which, items related to government subsidies:

Item	Beginning balance	Increase	Decrease				Ending balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Offsetting cost expenses	Other decrease		
Smart TV industrial chain of Konka Group Co., Ltd	19,848,500.00	0.00		2,247,000.00			17,601,500.00	Related to assets
Subsidy for Yantai Konka Life Science Innovation Center		10,000,000.00		499,999.98			9,500,000.02	Related to assets
R & D of double HDR OLED smart television and industrialization	13,300,000.00						13,300,000.00	Related to assets
Research, production and industrialization smart terminal system of next-generation internet	7,761,844.66			990,873.78			6,770,970.88	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



Item	Beginning balance	Increase	Decrease				Ending balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Offsetting cost expenses	Other decrease		
Laboratory project of next-generation Konka multimedia terminal technology	4,500,000.02			499,999.98			4,000,000.04	Related to assets
Investment items located in the weak sector of Shenzhen industrial link in 2017	4,500,000.00						4,500,000.00	Related to assets
Project of display terminal smart plant with new pattern based on NB-IOT	3,822,000.00			409,500.00			3,412,500.00	Related to assets
Konka Smart Home Project of Constructing Cloud Smart Control Platform	3,620,000.00						3,620,000.00	Related to assets
Post rewards and subsidies for technical transformation of industrial enterprises in 2016	3,281,040.00			91,684.98			3,189,355.02	Related to assets
Funds of Shenzhen Industrial Design Center from Shenzhen Economic, Trade and Information in 2015	3,000,000.00						3,000,000.00	Related to assets

Item	Beginning balance	Increase	Decrease				Ending balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Offsetting cost expenses	Other decrease		
R & D and industrialization of new application service system of mobile smart terminal	2,809,233.44			399,999.96			2,409,233.48	Related to assets
Industrialization of mobile internet and 4 <sup>th</sup> generation mobile communication industry	2,754,867.45			267,895.02			2,486,972.43	Related to assets
Research, development and industrialization of digital products of synergetic interconnection	2,600,000.00						2,600,000.00	Related to assets
R & D of key technologies of information safety system for mobile smart terminal	2,400,000.00			844,812.96			1,555,187.04	Related to assets
Special funds of provincial strategic emerging industry of Dongguan Finance Bureau	2,400,000.00			5,805.00			2,394,195.00	Related to assets
Provincial major special projects in 2017	2,360,000.00			240,000.00			2,120,000.00	Related to assets

Item	Beginning balance	Increase	Decrease				Ending balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Offsetting cost expenses	Other decrease		
Comprehensive integration and innovation project of lean manufacturing implementation system	2,100,000.00						2,100,000.00	Related to assets
Design of Curved TV and the achievement transformation	1,960,000.00						1,960,000.00	Related to assets
Embedded OS development and terminal system development for TV application	1,951,430.02			229,579.98			1,721,850.04	Related to assets
Whole machine integration of module	1,875,000.00			150,000.00			1,725,000.00	Related to assets
Research, development and industrialization of Major technology of LED backlight FPTV	1,750,000.13			499,999.98			1,250,000.15	Related to assets
Special fund of 2010-2012 industrial technology	1,680,000.00			114,610.02			1,565,389.98	Related to assets
Research, development and industrialization project of new two-channel 3D smart TV	1,590,166.71			202,999.98			1,387,166.73	Related to assets

Item	Beginning balance	Increase	Decrease				Ending balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Offsetting cost expenses	Other decrease		
Glasses-free 3D Smart LCD TV with Multi-view and High Definition	1,500,000.00						1,500,000.00	Related to assets
R & D of UST Laser Projection Smart TV	1,500,000.00						1,500,000.00	Related to assets
Real-time Synthesis and Pilot of True 3D Video with Continuous Viewpoint	1,420,000.00						1,420,000.00	Related to assets
R & D and industrialization of Information Terminal based on the IGRS	1,400,000.00						1,400,000.00	Related to assets
Provincial fiscal subsidies for R & D of Guangdong enterprises in 2016	1,375,319.98			114,610.02			1,260,709.96	Related to assets
R & D and industrialization of operation system for exploiting users based on big data	1,320,000.00						1,320,000.00	Related to assets
R & D and engineering of 3D TV Terminal	1,300,000.00						1,300,000.00	Related to assets
Special fund for industrial structural adjustment	1,199,999.88			210,000.00			989,999.88	Related to assets

Item	Beginning balance	Increase	Decrease				Ending balance	Related to assets/income
			Recorded into non-operating income	Recorded into other income	Offsetting cost expenses	Other decrease		
Post rewards and subsidies received for technical transformation of industrial enterprises in 2016	1,100,220.00			0.00			1,100,220.00	Related to assets
Development subsidies for tourist resort in 2014	1,094,583.35			18,499.98			1,076,083.37	Related to assets
Smart TV and system supporting platform of three networks combination	1,066,666.76			199,999.98			866,666.78	Related to assets
Satellite Receiving Facility based on safe and reliable chips	1,000,000.00						1,000,000.00	Related to assets
Others	10,602,751.22	2,916,666.67		3,682,968.63			9,836,449.26	Related to assets
Subtotal	<b>128,620,516.83</b>	<b>12,916,666.67</b>	<b>0.00</b>	<b>11,920,840.23</b>	<b>0.00</b>	<b>0.00</b>	<b>129,616,343.27</b>	
Others	1,429,395.04			184,247.88			1,245,147.16	Related to income
Subtotal	<b>1,429,395.04</b>	<b>0.00</b>	<b>0.00</b>	<b>184,247.88</b>	<b>0.00</b>	<b>0.00</b>	<b>1,245,147.16</b>	
Total	<b>130,049,911.87</b>	<b>12,916,666.67</b>	<b>0.00</b>	<b>12,105,088.11</b>	<b>0.00</b>	<b>0.00</b>	<b>130,861,490.43</b>	

**38. Share Capital**

Item	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	2,407,945,408.00	—	—	—	—	—	2,407,945,408.00

**39. Capital Reserves**

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	7,393,378.55			7,393,378.55
Other capital reserves	97,338,863.75			97,338,863.75
<b>Total</b>	<b>104,732,242.30</b>			<b>104,732,242.30</b>

**40. Other Comprehensive Income**

Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
I. Items that will not be reclassified to profit or loss	—	—	—	—	—	—	—
II. Items that may subsequently be reclassified to profit or loss	<b>3,697,458.95</b>	<b>-4,369,616.63</b>	<b>31,342.08</b>	<b>0.00</b>	<b>-4,851,840.74</b>	<b>450,882.03</b>	<b>-1,154,381.79</b>
Of which: Share of other comprehensive income of	-3,138,048.04						-3,138,048.04

Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
investees that will be reclassified into profit or loss under equity method							
Gain/Loss on changes in fair value of available-for-sale financial assets	31,342.08		31,342.08		-31,342.08		0
Differences arising from translation of foreign	6,804,164.91	-4,369,616.63			-4,820,498.66	450,882.03	1,983,666.25



Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
currency-denominated financial statements							
Total of other comprehensive income	<b>3,697,458.95</b>	<b>-4,369,616.63</b>	<b>31,342.08</b>	<b>0.00</b>	<b>-4,851,840.74</b>	<b>450,882.03</b>	<b>-1,154,381.79</b>

**41. Surplus Reserves**

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	963,582,609.22			963,582,609.22
Discretionary surplus reserves	254,062,265.57			254,062,265.57
<b>Total</b>	<b>1,217,644,874.79</b>			<b>1,217,644,874.79</b>

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

The Company can withdraw the discretionary surplus reserves after withdrawing the statutory surplus reserves. The discretionary surplus reserves can be used to make up for the previous losses or to increase share capital once approved.

**42. Retained Earnings**

Item	This year	Last year
Beginning balance of retained earnings before adjustments	4,260,125,492.57	-427,163,254.63
Total beginning balance of retained earnings before adjustments (increase+, decrease -)	—	—
Beginning balance of retained earnings after adjustments	4,260,125,492.57	-427,163,254.63
Add: Net profit attributable to owners of the Company as the parent	341,793,039.03	5,057,025,155.71
Less: Withdrawal of statutory surplus reserves		369,736,408.51
Withdrawal of discretionary surplus reserves	—	—
Dividend of ordinary shares payable	390,087,134.64	—
Dividend of ordinary shares transferred into share capital	—	—
Other	—	—
<b>Ending retained earnings</b>	<b>4,211,831,396.96</b>	<b>4,260,125,492.57</b>

**43. Operating Revenue and Cost of Sales****(1) Operating Revenue and Cost of Sales**

Item	Reporting Period		Same Period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	16,803,504,680.73	15,789,523,498.53	11,116,190,367.22	9,941,054,112.21
Other operations	821,910,089.09	652,732,946.73	289,775,612.21	169,137,145.86
<b>Total</b>	<b>17,625,414,769.82</b>	<b>16,442,256,445.26</b>	<b>11,405,965,979.43</b>	<b>10,110,191,258.07</b>

## (2) Main Operations (Classified by product)

Product name	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Color TV business	4,963,088,596.70	4,352,820,070.48	5,289,992,150.21	4,431,743,317.09
White electricity service	1,084,381,984.51	892,338,557.03	891,933,843.48	726,049,054.97
Supply chain trade business	10,008,880,630.62	9,925,786,697.58	4,307,330,068.12	4,247,646,007.45
Environmental protection business	77,951,411.92	52,515,288.25		
Other	669,202,056.98	566,062,885.19	626,934,305.41	535,615,732.70
<b>Total</b>	<b>16,803,504,680.73</b>	<b>15,789,523,498.53</b>	<b>11,116,190,367.22</b>	<b>9,941,054,112.21</b>

## (3) Main Operations (Classified by area)

Area	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Domestic sales	4,672,082,285.24	3,847,140,507.59	7,343,613,290.29	6,314,287,989.74
Overseas sales	12,131,422,395.49	11,942,382,990.94	3,772,577,076.93	3,626,766,122.47
<b>Total</b>	<b>16,803,504,680.73</b>	<b>15,789,523,498.53</b>	<b>11,116,190,367.22</b>	<b>9,941,054,112.21</b>

## (4) Other Operations (Classified by product)

Product name	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Sale of materials	461,460,767.54	463,125,455.40	44,655,567.09	30,009,254.48
Maintenance cost	23,647,020.02	12,451,873.87	17,463,699.51	14,710,810.95
Sale of waste	5,528,818.17	885,134.95	2,580,270.82	925,711.74

Product name	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Housing lease	55,541,441.82	7,877,581.44	42,485,581.44	5,088,830.73
Others	275,732,041.54	168,392,901.07	182,590,493.35	118,402,537.96
<b>Total</b>	<b>821,910,089.09</b>	<b>652,732,946.73</b>	<b>289,775,612.21</b>	<b>169,137,145.86</b>

## (5) Operating Revenue from Top 5 Customers

Period	Total operating revenue from top 5 customers	Proportion to operating revenue of Reporting Period
Jan.-June of 2018	6,013,731,094.97	35.79
Jan.-June of 2017	2,662,113,944.10	23.95

## 44. Taxes and Surtaxes

Item	Reporting Period	Same Period of last year
Land VAT	0.00	9,045,781.48
Urban maintenance and construction tax	7,615,970.19	102,929.05
Stamp duty	5,471,304.55	47,500.00
Property tax	2,268,252.08	4,011,787.05
Land use tax	4,628,137.36	2,617,655.26
Education surcharge	3,403,425.83	4,633,250.57
Local education surcharge	2,284,037.36	6,808,790.65
Business tax	0.00	5,698,979.66
Water resources fund	162,579.33	13,620.00
Vehicle and vessels usage tax	3,180.00	457,748.63
Others	1,809,687.92	991,549.69
<b>Total</b>	<b>27,646,574.62</b>	<b>34,429,592.04</b>

Note: Refer to Note V Taxation for details of the measurement standards of various taxes and surtaxes.

## 45. Selling Expense

Item	Reporting Period	Same Period of last year
Salary	144,544,854.91	146,655,505.33

Item	Reporting Period	Same Period of last year
Promotional activities	339,904,932.61	320,216,302.42
Logistic Fee	163,966,076.58	148,814,891.66
Warranty fee	121,621,614.96	114,430,603.12
Advertising expense	161,559,044.17	93,547,508.94
Social security charges	19,599,139.12	21,205,649.26
Taxes and fund	179,335.16	95.10
Business travel charges	16,371,700.85	16,044,394.98
Rental charges	15,783,834.11	14,424,674.47
Employee welfare	7,276,619.77	7,914,094.31
Other	112,373,922.27	90,749,586.95
<b>Total</b>	<b>1,103,181,074.51</b>	<b>974,003,306.54</b>

#### 46. Administrative Expense

Item	Reporting Period	Same Period of last year
R&D expenses	137,008,896.76	96,753,027.87
Salary	72,498,745.45	68,075,439.56
Depreciation charge	30,392,140.28	16,955,414.43
Consulting fees	17,149,760.33	6,907,424.07
Social security charges	14,494,572.24	9,395,168.52
Business entertainment expense	9,155,485.63	8,204,092.21
Patent fee	883,906.94	2,018,722.61
Business travel charges	7,528,524.84	4,518,651.08
Employee welfare	7,882,174.11	6,552,271.96
Water & electricity fees	4,538,405.21	2,590,650.84
Labor-union expenditure	2,467,456.89	3,456,348.07
Other	60,827,600.65	38,680,889.75
<b>Total</b>	<b>364,827,669.33</b>	<b>264,108,100.97</b>

#### 47. Finance Costs

Item	Reporting Period	Same Period of last year
Interest expense	138,646,255.45	165,919,248.32
Less: Interest income	49,719,529.94	61,587,922.88

Item	Reporting Period	Same Period of last year
Foreign exchange profit or loss	-72,148,811.10	-94,091.34
Other	19,514,995.00	6,645,661.36
<b>Total</b>	<b>36,292,909.41</b>	<b>110,882,895.46</b>

#### 48. Asset Impairment Loss

Item	Reporting Period	Same Period of last year
Bad debt loss	13,395,642.00	-10,238,423.79
Inventory falling price loss	46,156,458.41	12,397,789.34
Fixed assets impairment losses	0.00	111,677.21
<b>Total</b>	<b>59,552,100.41</b>	<b>2,271,042.76</b>

#### 49. Gain on changes in fair value

Sources	Reporting Period	Same period of last year
Financial assets at fair value through profit or loss	59,855,412.48	-103,077,757.73
Of which: gain on changes in fair value of derivative financial instruments	59,855,412.48	-59,008,507.733
Trading financial assets		-44,069,250.00
Financial liabilities at fair value through profit or loss		—
Of which: gain on changes in fair value of derivative financial instruments		—
<b>Total</b>	<b>59,855,412.48</b>	<b>-103,077,757.73</b>

#### 50. Investment Income

Item	Reporting Period	Same Period of last year
Long-term equity investment income measured by equity method	6,075,182.59	-4,574,294.19
Investment income from disposal of long-term equity investment	47,126,189.12	28,234.62
Investment income from holding of financial assets at fair value through profit or loss	0.00	263,100.00
Investment income from disposal of financial assets at fair value through profit or loss	-82,412,478.05	15,901,726.37
Investment income from holding of available-for-sale financial assets	13,740,000.00	—

Item	Reporting Period	Same Period of last year
Investment income from disposal of available-for-sale financial assets	17,360,398.59	25,048,785.15
Income from purchase of financial products and entrust loans	84,300,652.01	30,338,020.11
Income from re-measurement of residual stock rights at fair value after losing control power	445,568,627.45	—
<b>Total</b>	<b>531,758,571.71</b>	<b>67,005,572.06</b>

### 51. Asset Disposal Income

Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
Fixed assets disposal income	89,814.27	—	89,814.27
Intangible assets disposal income	63,632,291.11	—	63,632,291.11
<b>Total</b>	<b>63,722,105.38</b>	<b>—</b>	<b>63,722,105.38</b>

### 52. Other Income

Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
Tax rebates of software	34,848,961.96	35,115,965.51	
Rewards and subsidies	18,563,333.33	—	18,563,333.33
Support fund	48,012,477.79	—	48,012,477.79
Transferred from deferred income	12,105,088.11	—	12,105,088.11
Land tax return		—	0.00
Subsidy for L/C export	132,738.00	—	132,738.00
Subsidy for posts	3,229,884.31	—	3,229,884.31
Other	6,133,800.00	1,722,426.00	6,133,800.00
<b>Total</b>	<b>123,026,283.50</b>	<b>36,838,391.51</b>	<b>88,177,321.54</b>

### 53. Non-operating Income

Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
Government subsidies unrelated to the normal operation of the Company	11,461,703.35	79,034,666.86	11,461,703.35
Gains on debt restructuring	0.00	—	0.00
Penalty income	870,715.65	3,366,979.21	870,715.65
Compensation income	0.00	—	0.00
Gains on the damage and scrapping of non-current assets	94,061.30	33,597,795.57	94,061.30
Other	14,791,012.67	7,347,666.65	14,791,012.67
<b>Total</b>	<b>27,217,492.97</b>	<b>123,347,108.29</b>	<b>27,217,492.97</b>

Of which, government subsidies recorded into current profit or loss:

Item	Reporting Period	Same period of last year	Related to the assets/ income
Tax rebate for software	—	—	—
Support fund	—	40,225,800.00	Related to income
Deferred income	—	11,561,486.48	Related to income
Rewards and subsidies	10,185,622.66	21,005,000.00	Related to income
Specific fund for smart home appliances	—	—	—
Return of land tax	—	1,948,800.00	Related to income
Subsidies for posts	—	—	—
Subsidies for L/C export	—	—	—
Financial discount	—	—	—
Other	1,276,080.69	4,293,580.38	Related to income
<b>Total</b>	<b>11,461,703.35</b>	<b>79,034,666.86</b>	

#### 54. Non-operating Expense

Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
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Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
Losses on damage and scraping of non-current assets	1,671,547.63	1,065,392.90	1,671,547.63
Compensation expense	3,500.00	1,531.07	3,500.00
Donations	20,000.00	13,600.00	20,000.00
Other	4,256,701.94	2,555,014.14	4,256,701.94
<b>Total</b>	<b>5,951,749.57</b>	<b>3,635,538.11</b>	<b>5,951,749.57</b>

## 55. Income Tax Expense

### (1) Lists of Income Tax Expense

Item	Reporting Period	Same period of last year
Current income tax expense	59,240,226.94	21,286,293.02
Deferred income tax expense	-76,686,276.07	-25,125,065.99
<b>Total</b>	<b>-17,446,049.13</b>	<b>-3,838,772.97</b>

### (2) Adjustment Process of Accounting Profit and Income Tax Expense

Item	Reporting Period
Profit before taxation	391,286,112.75
Current income tax expense accounted at statutory/applicable tax rate	97,821,528.18
Influence of applying different tax rates by subsidiaries	-14,964,781.64
Influence of income tax before adjustment	748,615.33
Influence of non-taxable income	-41,708,898.94
Influence of not deductible costs, expenses and losses	9,218,497.91
Influence of deductible loss of unrecognized deferred income tax assets in prior period	-91,144,150.70
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax in the Reporting Period	22,583,140.73
Changes in the balance of deferred income tax assets/liabilities in previous period due to adjustment of tax rate	---
Influence of plus deducting costs	
<b>Income tax expense</b>	<b>-17,446,049.13</b>

## 56. Other Comprehensive Income

Refer to Note VI-40 for details.

## 57. Cash Flow Statement

### (1) Cash Generated from Other Operating Activities

Item	Reporting Period	Same Period of last year
Commercial factoring accounts received (Note ①)	1,177,791,975.34	---
Intercourse funds	87,455,725.93	76,180,729.27
Income from government subsidy	97,520,522.22	73,794,757.98
Front money and guarantee deposit	19,955,669.93	35,452,861.96
Interest income from bank deposits	6,703,808.76	7,386,176.08
Compensation from suppliers	30,537,543.95	
Income from waste	3,377,283.28	5,528,381.42
Repayment of individual borrowings	2,206,730.89	2,369,554.91
Temporary received repair fund	17,717.50	2,820,613.27
Income from penalty and default money	245,081.28	170,823.92
Other	51,447,417.30	38,800,691.61
<b>Total</b>	<b>1,477,259,476.38</b>	<b>242,504,590.42</b>

Note: ①The Commercial factoring accounts were referred to the accounts received from the bill discounting of the factoring business by the Company.

### (2) Cash Used in Other Operating Activities

Item	Reporting Period	Same Period of last year
The commercial factoring payment (Note)	1,607,828,551.79	—
Expense for cash payment	643,840,207.45	619,722,220.51
Payment made on behalf	18,580,685.28	16,655,746.00
Payment for guarantee deposit, cash deposit and repair	1,607,828,551.79	—
Petty cash for employees	643,840,207.45	619,722,220.51
Expense for bank handling charges	18,580,685.28	16,655,746.00
Donation expense	1,607,828,551.79	—

Item	Reporting Period	Same Period of last year
Default money	643,840,207.45	619,722,220.51
Other expense	18,580,685.28	16,655,746.00
<b>Total</b>	<b>2,347,454,070.52</b>	<b>755,674,441.38</b>

Note: The commercial factoring payment referred to the accounts paid to the factoring applicant by the Company's subsidiary- Konka Factoring (Shenzhen) Co., Ltd.

### (3) Cash Generated from Other Investing Activities

Item	Reporting Period	Same Period of last year
Recovery of financial products	942,900,000.00	857,900,000.00
Other		1,449.68
<b>Total</b>	<b>942,900,000.00</b>	<b>857,901,449.68</b>

### (4) Cash Used in Other Investing Activities

Item	Reporting Period	Same Period of last year
Purchase of financial products	774,730,000.00	2,130,900,000.00
Payment for stock bidding	100,000,000.00	---
Other		25,168,913.10
<b>Total</b>	<b>874,730,000.00</b>	<b>2,156,068,913.10</b>

### (5) Cash Generated from Other Financing Activities

Item	Reporting Period	Same Period of last year
The solution pay of pledged RMB certificate of deposit at maturity		444,475,802.89
Other	1,023,076.93	
<b>Total</b>	<b>1,023,076.93</b>	<b>444,475,802.89</b>

### (6) Cash Used in Other Financing Activities

Item	Reporting Period	Same Period of last year
Deposit as margin for pledge		574,504.77
Financing expense	22,612,122.48	—
<b>Total</b>	<b>22,612,122.48</b>	<b>574,504.77</b>

## 58. Supplemental Information for Cash Flow Statement

### (1) Supplemental Information for Cash Flow Statement

Supplemental information	Reporting Period	Same period of last year
<b>1. Reconciliation of net profit to net cash flows generated from operating activities</b>		
Net profit	408,732,161.88	34,396,332.58
Add: Provision for impairment of assets	59,552,100.41	2,271,042.76
Depreciation of fixed assets, oil-gas assets, and productive living assets	99,977,217.61	57,373,770.25
Amortization of intangible assets	6,800,013.68	5,514,858.35
Amortization of long-term prepaid expenses	39,491,886.63	32,110,310.89
Losses on disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-63,722,105.38	-32,532,402.67
Losses on scrap of fixed assets (gains: negative)	1,577,486.33	—
Losses on changes in fair value (gains: negative)	-59,855,412.48	103,077,757.73
Finance costs (gains: negative)	138,646,255.45	205,629,196.69
Investment loss (gains: negative)	-531,929,987.83	-67,005,572.06
Decrease in deferred income tax assets (gains: negative)	-139,323,718.64	-35,150,295.62
Increase in deferred income tax liabilities (“-” means decrease)	51,576,456.37	2,453,021.63
Decrease in inventories (gains: negative)	-200,692,963.10	-2,097,599,214.55
Decrease in accounts receivable generated from operating activities (gains: negative)	-1,290,880,669.75	274,747,714.15
Increase in accounts payable used in operating activities (decrease: negative)	-358,107,427.04	-737,739,738.53
Other		-11,561,486.48
Net cash generated from/used in operating activities	<b>-1,838,158,705.86</b>	<b>-2,264,014,704.88</b>
<b>2. Significant investing and financing activities without involvement of cash receipts and payments</b>		
Transfer of debt to capital	—	—
Current portion of convertible corporate bonds	—	—
Fixed assets leased in by financing	—	—
<b>3. Net increase/decrease of cash and cash equivalent:</b>		
Ending balance of cash	3,761,988,635.66	2,326,786,079.22

Supplemental information	Reporting Period	Same period of last year
Less: beginning balance of cash	3,097,899,703.76	2,020,902,945.13
Add: Ending balance of cash equivalents	—	—
Less: Beginning balance of cash equivalents	—	—
Net increase in cash and cash equivalents	<b>664,088,931.90</b>	<b>305,883,134.09</b>

**(2) Net Cash Receive from Disposal of the Subsidiaries**

Item	Amount
Cash or cash equivalents received currently from the disposal of subsidiaries in the Reporting Period	
Of which: Kaikai Shijie	50,000,000.00
Less: cash and cash equivalents held by subsidiaries on the date of losing control power	—
Of which: Kaikai Shijie	7,488,940.78
Net cash from disposal of subsidiaries	<b>42,511,059.22</b>

**(3) Cash and Cash Equivalents**

Item	Ending balance	Beginning balance
I. Cash	3,761,988,635.66	2,326,786,079.22
Including: Cash on hand	122,746.45	2,243.88
Bank deposit on demand	3,761,865,889.21	2,326,783,835.34
III. Ending balance of cash and cash equivalents	<b>3,761,988,635.66</b>	<b>2,326,786,079.22</b>

Note: The cash and cash equivalents excluded other monetary assets with restriction on use.

**59. Assets with Restricted Ownership or Right to Use**

Item	Ending carrying value	Reason for restriction
Monetary assets	149,831,518.94	Margin deposit that cannot be drawn at any time

Item	Ending carrying value	Reason for restriction
Notes receivable	1,666,718,524.73	① As of 30 June 2018, the Company pledged the bank 's acceptance with carrying value of RMB1,414,894,166.20 used in issuing the bank acceptance, letter of credit, letter of guarantee, trade financing and other comprehensive financing businesses. ② As of 30 June 2018, the trade acceptance with carrying value of RMB241,824,358.53 was used by the Company for the bank discount with recourse and obtained a short-term borrowing of RMB227,979,976.51, and the bank 's acceptance bill with carrying value of RMB10,000,000.00 was used by the Company for the bank discount with recourse and obtained a short-term borrowing of RMB9,545,000.00.
Fixed assets	5,807,674.32	Conservatory measures in litigation
	60,288,708.63	As of 30 June 2018, the subsidiary of the Company, Xingda Hong Ye, obtained a pledge loan of RMB210,700,000.00 taking houses and buildings with carrying value of RMB60,288,708.63 and land use right with carrying value of RMB38,617,359.68 as the pledge.
Intangible assets	38,617,359.68	
<b>Total</b>	<b>1,921,263,786.30</b>	

## 60. Foreign Currency Monetary Items

### (1) Foreign Currency Monetary Items

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary assets			
Including: USD	112,780,634.54	6.6166	746,224,346.50
EUR	5,312.33	7.6515	40,647.29
HKD	13,029,927.79	0.8431	10,985,532.12
GBP	1.11	8.6551	9.61

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
PLN	7,250,355.04	1.75497	12,724,155.58
Accounts receivable			
Including: USD	166,139,933.57	6.6166	1,099,281,484.49
HKD	5,945,102.95	0.8431	5,012,316.30
AUD	49,764.00	4.8633	242,017.26
Accounts payable			
Including: USD	238,075,212.16	6.6166	1,575,248,448.78
Other receivables			
Including: USD	2,276,499.71	6.6166	15,062,687.98
Other payables			
Including: USD	9,192,347.10	6.6166	60,822,083.82
HKD	603,122.24	0.8431	508,492.36
Short-term borrowings			
Including: USD	253,872,941.35	6.6166	1,679,775,703.74
HKD	86,065,100.00	0.8431	72,561,485.81
Interest payable			
Including: USD	2,909,774.15	6.6166	19,252,811.64

## VII. Changes of Consolidation Scope

### 1. Single Disposal of Investment to Subsidiary that Losing Control Power

Name of the subsidiary	The equity disposal price	Equity disposal proportion (%)	Method of equity disposal	Time of losing control	Recognition basis for the time of losing control power	The differences of enjoyed net assets share of the subsidiary in corresponding consolidated statements of the disposal price and the disposal investment
Kaikai Shijie	50,000,000.00	5	Transfer	2018/6/28	Transfer of equity, operation and financial controlling power	47,126,189.12

(Continued)

Name of the subsidiary	Residual equity proportion on the date of losing control power (%)	Carrying value of residual equity on the date of losing control power	Fair value of residual equity on the date of losing control power	Gains or losses from re-measurement of residual equity at fair value	Recognition method and main assumption of fair value of residual equity on the date of losing control power	Amount of other comprehensive income related to former subsidiaries transferred into investment profit or loss
Kaikai Shijie	46%	14,431,372.55	460,000,000.00	445,568,627.45	Market trading price	—

## 2. Changes in Combination Scope for Other Reasons

(1) Kangjietong (Hong Kong) Limited was incorporated by Konka Electrical Appliances Investment & Development Co., Ltd. (a subsidiary of the Company) and Aujet Industry Limited in Hong Kong on 9 January 2018 with a registered capital of HKD1 million, of which Konka Electrical Appliances Investment & Development Co., Ltd. contributed HKD0.51 million (or 51%) and Aujet Industry Limited contributed HKD0.49 million (or 49%). Therefore, the Company has the control over Kangjietong (Hong Kong) Limited and it has been included into the Company's consolidation scope since 9 January 2018.

(2) Sichuan Konka Smart Terminal Technology Co., Ltd. was incorporated by Shenzhen Konka Mobile Interconnection Technology Co., Ltd. (a subsidiary of the Company) on 15 January 2018 with a registered capital of RMB100 million, of which Shenzhen Konka Mobile Interconnection Technology Co., Ltd. contributed RMB100 million (or 100%). Therefore, the Company has the control over Sichuan Konka Smart Terminal Technology Co., Ltd. and it has been included into the Company's consolidation scope since 15 January 2018.



(3) Yibin Konka Technology Park Operation Co., Ltd. was incorporated by the Company on 15 January 2018 with a registered capital of RMB100 million, of which the Company contributed RMB100 million (or 100%). Therefore, the Company has the control over Yibin Konka Technology Park Operation Co., Ltd. and it has been included into the Company's consolidation scope since 15 January 2018.

(4) Shenzhen Konka Electronics Technology Co., Ltd. was incorporated by the Company on 16 January 2018 with a registered capital of RMB1 billion, of which the Company contributed RMB1 billion (or 100%). Therefore, the Company has the control over Shenzhen Konka Electronics Technology Co., Ltd. and it has been included into the Company's consolidation scope since 16 January 2018.

(5) Jiaxin Technology Co., Ltd. was incorporated by Shenzhen Konka Pengrun Technology & Industry Co., Ltd. (a subsidiary of the Company) in Hong Kong on 25 January 2018 with a registered capital of HKD10 million, of which Shenzhen Konka Pengrun Technology & Industry Co., Ltd. contributed HKD10 million (or 100%). Therefore, the Company has the control over Jiaxin Technology Co., Ltd. and it has been included into the Company's consolidation scope since 25 January 2018.

(6) Jiali International (Hong Kong) Limited was incorporated by Shenzhen Konka Unifortune Supply Chain Management Co., Ltd. (a subsidiary of the Company) in Hong Kong on 2 February 2018 with a registered capital of HKD5 million, of which Shenzhen Konka Unifortune Supply Chain Management Co., Ltd. contributed HKD5 million (or 100%). Therefore, the Company has the control over Jiali International (Hong Kong) Limited and it has been included into the Company's consolidation scope since 2 February 2018.

(7) Chengdu Konka Incubator Management Co., Ltd. was incorporated by Konka Ventures Development (Shenzhen) Co., Ltd. (a subsidiary of the Company) on 5 February 2018 with a registered capital of RMB5 million, of which Konka Ventures Development (Shenzhen) Co., Ltd. contributed RMB5 million (or 100%). Therefore, the Company has the control over Chengdu Konka Incubator Management Co., Ltd. and it has been included into the Company's consolidation scope since 5 February 2018.

(8) Sichuan Kangjiatong Supply Chain Management Co., Ltd. was incorporated by the Company, Shenzhen Trade Link Supply Chain Management Co., Ltd. and Sichuan Yibin Port (Group) Co., Ltd. on 26 March 2018 with a registered capital of RMB30 million, of which the Company contributed RMB15.3 million (or 51%) in cash, Shenzhen Trade Link Supply Chain Management Co., Ltd. contributed RMB13.2 million (or 44%) in cash and Sichuan Yibin Port (Group) Co., Ltd. contributed RMB1.5 million (or 5%) in cash. Therefore, the

Company has the control over Sichuan Kangjiatong Supply Chain Management Co., Ltd. and it has been included into the Company's consolidation scope since 26 March 2018.

(9) Konka Suiyong Investment (Shenzhen) Co., Ltd. was incorporated by Shenzhen Konka Investment Holding Co., Ltd. (a subsidiary of the Company) and Suiyong Rongxin Capital Management Co., Ltd. on 11 May 2018 with a registered capital of RMB50 million, of which Shenzhen Konka Investment Holding Co., Ltd. contributed RMB25.5 million (or 51%) in cash and Suiyong Rongxin Capital Management Co., Ltd. contributed RMB24.5 (or 49%) in cash. Therefore, the Company has the control over Konka Suiyong Investment (Shenzhen) Co., Ltd. and it has been included into the Company's consolidation scope since 11 May 2018.

(10) Konka Huanjia (Dalian) Environmental Technology Co., Ltd. was incorporated by the Company, Huanjia Group and Zhang Yuyin on 6 June 2018 with a registered capital of RMB180 million, of which the Company contributed 91.8 million (or 51%) in cash, Huanjia Group contributed RMB70.2 million (or 39%) in cash and Zhang Yuyin contributed RMB18 million (or 10%) in cash. Therefore, the Company has the control over Konka Huanjia (Dalian) Environmental Technology Co., Ltd. and it has been included into the Company's consolidation scope since 6 June 2018.

(11) Anhui Konka Electrical Appliance Technology Co., Ltd. was incorporated by Anhui Konka Tongchuang Electrical Appliances Co., Ltd. (a subsidiary of the Company) and Chuzhou Hanshang Electrical Appliance Co., Ltd. on 12 June 2018 with a registered capital of RMB100 million, of which Anhui Konka Tongchuang Electrical Appliances Co., Ltd. contributed RMB51 million (or 51%) in cash and Chuzhou Hanshang Electrical Appliance Co., Ltd. contributed RMB49 million (or 49%) in cash. Therefore, the Company has the control over Anhui Konka Electrical Appliance Technology Co., Ltd. and it has been included into the Company's consolidation scope since 12 June 2018.

(12) The Company completed the merger & acquisition of Shandong Econ Technology Co., Ltd. on 4 May 2018 with a registered capital of RMB164 million, of which the Company contributed RMB688.5 million (or 51%) in cash. Therefore, the Company has the control over Shandong Econ Technology Co., Ltd. and its following subsidiaries: Beijing Econ Runfeng Technology Co., Ltd., Shanghai Jiye Environmental Technology Co., Ltd., Binzhou Econ Zhongke Environmental Technology Co., Ltd., Laizhou Lairun Holdings Co., Ltd., Econ Environmental Engineering Co., Ltd., Rushan Yike Water Treatment Co., Ltd., Binzhou Weiyijie Environmental Technology Co., Ltd., Yantai Chunzhiran Environmental Technology Co., Ltd., Rushan Econ Beike Technology Incubator Co., Ltd., Fujian Econ Changrun

Environmental Protection Co., Ltd., Laizhou Lairun Huayang Heating Co., Ltd., Laizhou Lairun Heating Co., Ltd., Laizhou Lairun Green Energy Co., Ltd., Binzhou Beihai Jingmai Industrial Development Co., Ltd., Yantai Huanhai Xinze Enterprise Management Co., Ltd., Binzhou Weinengda Transport Co., Ltd., Laizhou Binhai Sewage Treatment Co., Ltd. and Laizhou Lairun Environmental Protection Co., Ltd. And these acquirees have been included into the Company's consolidation scope since 4 May 2018.

(13) Shenzhen Konka Electronics Technology Co., Ltd. (a subsidiary of the Company) has completed the merger & acquisition of GuangDong XingDa HongYe Electronic Co., Ltd. on 29 June 2018 with a registered capital of RMB88.89 million, of which the Company contributed RMB99.45 million (or 51%) in cash. Therefore, Shenzhen Konka Electronics Technology Co., Ltd. has the control over GuangDong XingDa HongYe Electronic Co., Ltd. and its following subsidiaries: Shanghai Xinfeng Zhuoqun PCB Co., Ltd. and Zhongshan Zewei Kechuang Investment Management Co., Ltd. And these acquirees have been included into the Company's consolidation scope since 29 June 2018.

## VIII. Equity in Other Entities

### 1. Equity in Subsidiary

#### (1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Telecommunications Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75	25	Set up or investment
Konka Household Appliances	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry, commerce	100	—	Set up or investment
Shenzhen Konka Plastic Products Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	49	51	Set up or investment
Shenzhen Konka Life Electronic Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75	25	Set up or investment
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Investment holding	75	25	Set up or investment
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang, Heilongjiang	Mudanjiang, Heilongjiang	Manufacturing industry	60	—	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Chongqing Konka Electronic Co., Ltd. ①	Chongqing	Chongqing	Manufacturing industry	—	40	Set up or investment
Anhui Konka Electronic Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	78	—	Set up or investment
Dongguan Konka Electronic Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	75	25	Set up or investment
Dongguan Konka Packing Materials Co., Ltd.	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	—	100	Set up or investment
Boluo Konka PCB Co., Ltd.	Boluo, Guangdong	Boluo, Guangdong	Manufacturing industry	—	100	Set up or investment
Boluo Konka Precision Technology Co., Ltd.	Boluo, Guangdong	Boluo, Guangdong	Manufacturing industry	—	100	Set up or investment
Hong Kong Konka Co., Ltd.	Hong Kong, China	Hong Kong, China	International Trading	100	—	Set up or investment
Konka Household Appliances Investment & Development Co., Ltd.	Hong Kong, China	Hong Kong, China	Investment holding	—	100	Set up or investment
Konka Household Appliances International Trading Co., Ltd.	Hong Kong, China	Hong Kong, China	International Trading	—	100	Set up or investment
Konka (Europe) Co., Ltd.	Frankfurt, Germany, Europe	Frankfurt, Germany, Europe	International Trading	100	—	Set up or investment
Konka Commercial Factoring (Shenzhen) Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Insurance agents (non-bank finance)	100	—	Set up or investment
Shenzhen Wankaida Science and Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Software development	100	—	Set up or investment
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan, Jiangsu	Kunshan, Jiangsu	Real estate	100	—	Set up or investment
Anhui Konka Tongchuang Household Appliances Co., Ltd.②	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	100	—	Set up or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Shushida Logistics Service Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Logistics	100	—	Set up or investment
Beijing Konka Electronic Co., Ltd.	Beijing	Beijing	Sale of home appliance	100	—	Set up or investment
Shenzhen Konka E-display Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	60	—	Set up or investment
Shenzhen E-display Service Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	—	60	Set up or investment
Xiamen Dalong Trade Co., Ltd.	Xiamen, Fujian	Xiamen, Fujian	Commerce	—	69.23	Set up or investment
Youshi Kangrong Cultural Communication Co., Ltd.	Tianjin	Tianjin	Advertisement	—	70	Set up or investment
Konka Smarttech Limited	Hong Kong, China	Hong Kong, China	International trading	—	61	Set up or investment
Shenzhen Yipingfang Network Technology Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Information service	100	—	Set up or investment
Shenzhen Konka Commercial Systems Technology Co., Ltd	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	81	—	Set up or investment
Shenzhen Konka Mobile Internet Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	51	—	Set up or investment
Chain Kingdom Co., Limited	Hong Kong	Hong Kong	International Trade	—	51	Set up or investment
Shenzhen Kangqiao Yilian Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	60	—	Set up or investment
Yilifang (Hainan) Technology Co., Ltd	Haikou, Hainan	Haikou, Hainan	Network platform development	60	—	Set up or investment
Chuzhou Konka Technology & Industry Development Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Science and technology industry	100	—	Set up or investment
Konka Ventures Development (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Software and IT industry	51	—	Set up
Shenzhen Konka Pengrun Technology & Industry Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail industry	51	—	Set up
Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail industry	51	—	Set up

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shenzhen Konka Investment Holding Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service	100	—	Set up
Anhui Kangzhi Trade Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Wholesale business	—	78	Set up
Hainan Konka Material Technology Co., Ltd.	Haikou, Hainan	Haikou, Hainan	Commercial service	—	51	Set up
Tianjin Konka Leasing Co., Ltd.	Tianjin pilot FTZ	Tianjin pilot FTZ	Leasing industry	—	100	Set up
Yantai Konka Healthcare Enterprise Service Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Commercial service	—	51	Set up
Shenzhen Konka Capital Equity Investment Management Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service	—	100	Set up
Chain Kingdom (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Wholesale business	—	51	Set up
Shenzhen Konka Electronics Technology Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	100		Set up
Sichuan Konka Smart terminal Technology Co., Ltd.	Yibin, Sichuan	Yibin, Sichuan	Manufacturing industry		51	Set up
Jiaxin Technology Co., Ltd.	Hong Kong, China	Hong Kong, China	Wholesale business		51	Set up
Kangjietong (Hong Kong) Limited	Hong Kong, China	Hong Kong, China	Wholesale business		51	Set up
Sichuan Kangjietong Supply Chain Management Co., Ltd.	Yibin, Sichuan	Yibin, Sichuan	Wholesale business	51		Set up
Konka Huanjia (Dalian) Environmental Technology Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Environmental protection industry	51		Set up
Chengdu Konka Incubator Management Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Commercial service		51	Set up
Yibin Konka Technology Park Operation Co., Ltd.	Yibin, Sichuan	Yibin, Sichuan	Science and technology industry	100		Set up
Konka Suiyong Investment (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service		51	Set up
Anhui Konka Electrical Appliance Technology Co., Ltd.	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry		51	Set up

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Jiali International (Hong Kong) Limited	Hong Kong, China	Hong Kong, China	Wholesale business		51	Set up
Guangdong XingDa HongYe Electronic Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Manufacturing industry		51	Merger and acquisition
Shanghai Xinfeng Zhuoqun PCB Co., Ltd.	Shanghai, China	Shanghai, China	Manufacturing industry		51	Merger and acquisition
Zhongshan Zewei Kechuang Investment Management Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Capital markets service		25.5	Merger and acquisition
Shandong Econ Technology Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Environmental protection industry	51		Merger and acquisition
Beijing Econ Runfeng Technology Co., Ltd.	Beijing, China	Beijing, China	Science research and technological service industry		51.00	Merger and acquisition
Shanghai Jiyi Environmental Technology Co., Ltd.	Shanghai, China	Shanghai, China	Science research and technological service industry		51.00	Merger and acquisition
Binzhou Econ Zhongke Environmental Technology Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	Science research and technological service industry		51.00	Merger and acquisition
Laizhou Lairun Holdings Co., Ltd.	Laizhou, Shandong	Laizhou, Shandong	Production and supply of electric power, heating power, gas and water		30.60	Merger and acquisition
Econ Environmental Engineering Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Architecture industry		51.00	Merger and acquisition

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Rushan Yike Water Treatment Co., Ltd.	Rushan, Shandong	Rushan, Shandong	Management of water conservancy, environment and public facilities		44.37	Merger and acquisition
Binzhou Weiyijie Environmental Technology Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	information transmission, software and IT service industry		35.70	Merger and acquisition
Yantai Chunzhiran Environmental Technology Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Science research and technological service industry		35.70	Merger and acquisition
Rushan Econ Beike Technology Incubator Co., Ltd.	Rushan, Shandong	Rushan, Shandong	Management of water conservancy, environment and public facilities		51.00	Merger and acquisition
Fujian Econ Changrun Environmental Protection Co., Ltd.	Changle, Fujian	Changle, Fujian	Production and supply of electric power, heating power, gas and water		33.15	Merger and acquisition
Laizhou Lairun Huayang Heating Co., Ltd.	Laizhou, Shandong	Laizhou, Shandong	Science research and technological service industry		26.01	Merger and acquisition
Laizhou Lairun Heating Co., Ltd.	Laizhou, Shandong	Laizhou, Shandong	Production and supply of electric power, heating power, gas and water		51.00	Merger and acquisition



Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Laizhou Lairun Green Energy Co., Ltd.	Laizhou, Shandong	Laizhou, Shandong	Management of water conservancy, environment and public facilities		30.60	Merger and acquisition
Binzhou Beihai Jingmai Industrial Development Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	preparation of project on comprehensive utilization of solid waste		30.60	Merger and acquisition
Yantai Huanhai Xinze Enterprise Management Co., Ltd.	Yantai, Shandong	Yantai, Shandong	business administration and consulting services		51.00	Merger and acquisition
Binzhou Weinengda Transport Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	transportation of goods		37.23	Merger and acquisition
Laizhou Binhai Sewage Treatment Co., Ltd.	Laizhou, Shandong	Laizhou, Shandong	treatment of sewage, consulting of environmental protection engineering and environmental technical services		30.60	Merger and acquisition
Laizhou Lairun Environmental Protection Co., Ltd.	Laizhou, Shandong	Laizhou, Shandong	Management of water conservancy, environment and public facilities		30.60	Merger and acquisition

Notes: ①Chongqing Qingjia: the Company holds its 40% shares, and all senior executive officers are designated and appointed by the Company; more than half of the members of Board of Director are directly or indirectly designated by the Company who has absolute influence and control over its production and operation, so it's included into the scope of consolidated statements.

## (2) Significant Non-wholly-owned Subsidiary

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Anhui Konka Household Appliances Co., Ltd.	22.00	-1,947,406.50	—	80,203,594.24
Chain Kingdom (Shenzhen) Co., Ltd.	49.00	13,863,023.00	—	28,222,534.03

## (3) The Main Financial Information of Significant Non-wholly-owned Subsidiary

Name	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka Household Appliances Co., Ltd.	1,180,349,696.72	226,400,267.27	1,406,749,963.99	1,030,643,579.13	11,544,592.87	1,042,188,172.00
Chain Kingdom (Shenzhen) Co., Ltd.	1,405,583,233.71	133,856.87	1,405,717,090.58	1,348,120,082.36	0	1,348,120,082.36

(Continued)

Name	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Anhui Konka Household Appliances Co., Ltd.	1,743,305,524.22	234,515,077.28	1,977,820,601.50	1,589,905,412.55	13,198,499.65	1,603,103,912.20
Chain Kingdom (Shenzhen) Co., Ltd.	1,162,693,203.78	129,592.90	1,162,822,796.68	1,134,435,779.93	—	1,134,435,779.93

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Anhui Konka Household Appliances Co.,	1,732,222,387.44	-8,851,847.71	-8,851,847.71	286,378,066.73	2,399,150,981.00	8,748,900.14	8,748,900.14	-25,296,816.63

Name	Reporting Period				Same period of last year			
Ltd.								
Chain Kingdom (Shenzhen) Co., Ltd.	3,256,025,071.58	28,291,883.68	28,291,883.68	25,288,584.51	1,909,913,550.33	11,394,229.70	11,394,229.70	49,714,579.94

(4) There Was No Significant Restriction on Using the Group's Assets and Liquidating the Group's Liabilities.

(5) There Were No Financial Supports or Other Supports Provided to Structural Entities Incorporated into the Scope of Consolidated Financial Statements

## 2. Equity in Associated Enterprises

### (1) Significant Associated Enterprises

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment to joint venture or associated enterprise
				Directly	Indirectly	
Shanghai Konka Green Science & Technology Co., Ltd.	Shanghai	Shanghai	Production and sale of plastic mould	39.00	—	Equity method
Shenzhen Jielunte Technology Co., Ltd.	Shenzhen	Shenzhen	Production and sale of light emitting diode	—	42.79	Equity method
Shenzhen Yaode Technology Co., Ltd.	Shenzhen	Shenzhen	Manufacturing industry in computer, communication and other electronic equipment	20.00	—	Equity method
Guangdong Chutian Dragon Smart Card Co., Ltd.	Dongguan	Dongguan	Manufacturing industry in computer, communication and other electronic equipment	22.4513	—	Equity method
Kunshan Konka Electronic Co., Ltd.	Kunshan	Kunshan	Manufacturing industry in computer, communication and other electronic equipment	49.00	—	Equity method

Note: Shenzhen Konka Precision Mould Manufacturing Co., Ltd. was renamed Shenzhen Jielunte Technology Co., Ltd. on 20 April 2018.

(2) Main Financial Information of Significant Associated Enterprise

Item	Ending balance/Reporting Period				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Jielunte Technology Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
Current assets	238,505,916.56	277,297,528.36	716,867,398.25	1,314,638,426.28	525,061,810.64
Of which: cash and cash equivalents	138,267,820.64	25,052,334.89	520,507,991.35	216,879,312.23	8,144,241.21
Non-current assets	331,607,537.58	232,773,836.21	36,493,058.35	234,997,541.23	251,965,997.66
Total assets	570,113,454.14	510,071,364.57	753,360,456.60	1,549,635,967.51	777,027,808.30
Current liabilities	113,208,488.33	266,511,418.86	227,846,560.60	574,363,961.20	358,430,185.04
Non-current liability	74,625,997.45	16,855,660.69	3,442,363.70	15,192,263.19	8,678,352.12
Total liabilities	187,834,485.78	283,367,079.55	231,288,924.30	589,556,224.39	367,108,537.16
Equity of non-controlling interests	179,737,280.68	9,724,788.60		6,999,542.20	
Equity attributable to shareholders of the Company as the parent	202,541,687.68	216,979,496.42	522,071,532.30	953,080,200.92	409,919,271.14
Share of net assets accounted by shareholding percentage	78,991,258.19	92,845,526.52	104,414,306.46	213,978,895.15	200,860,442.86
Adjusted events					

-Goodwill	—	—	109,570,069.72	413,461,970.35	8,433,857.82
-Unrealized internal sales gain and loss	—	—	—	—	—
-Other	—	—	—	—	—
Carrying value of equity investment to associated enterprises	78,991,258.19	92,845,526.52	213,984,376.18	627,440,865.50	209,294,300.68
Fair value of equity investment to joint ventures with public offer	—	—	—	—	—
Operating revenue	188,967,645.42	188,975,170.98	319,742,579.72	486,019,598.26	649,068,015.15
Finance costs	569,432.88	3,668,764.35	7,373,783.33	-3,172,333.74	-3,467,057.33
Income tax expense	268,388.28	-2,459,079.12	2,534,205.92	13,415,113.49	0.00
Net profit	-1,253,334.90	-15,866,759.35	18,526,218.16	64,781,109.89	7,321,158.81
Net profit from discontinued operations	—	—	—	—	—
Other comprehensive income	830,823.12	—	—	—	—
Total comprehensive income	-422,511.78	-15,866,759.35	18,526,218.16	64,781,109.89	7,321,158.81
Dividends received from joint venture in Reporting Period	—	—	—	—	—

(Continued)

Item	Beginning balance/The same period of last year				
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	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
Current assets	277,102,107.32	317,214,657.83	529,254,428.27	1,275,973,644.95	450,377,789.88
Of which: cash and cash equivalents	102,675,515.63	77,139,577.86	8,909,487.50	520,507,991.35	50,721,392.08
Non-current assets	342,856,720.05	229,756,861.75	81,833,013.73	265,717,459.13	339,299,159.57
Total assets	619,958,827.37	546,971,519.58	611,087,442.00	1,541,691,104.08	789,676,949.45
Current liabilities	164,142,536.68	283,150,937.49	102,411,669.34	610,280,220.79	393,186,594.32
Non-current liability	58,156,470.99	21,263,925.10	5,130,458.50	14,700,720.45	652,129.50
Total liabilities	222,299,007.67	304,414,862.59	107,542,127.84	624,980,941.24	387,078,837.13
Equity of non-controlling interests	193,225,048.13	9,879,883.26	—	9,178,745.28	—
Equity attributable to shareholders of the Company as the parent	204,434,771.57	232,676,773.73	503,545,314.16	907,531,417.56	402,598,112.32
Share of net assets accounted by shareholding percentage	79,729,560.91	99,562,391.48	100,709,062.83	203,752,601.15	197,273,075.04
Adjusted events					
-Goodwill	—	—	109,570,069.72	413,461,970.35	8,433,857.82
-Unrealized internal sales gain and loss	—	—	—	—	—
-Other	—	—	—	—	—



Item	Beginning balance/The same period of last year				
	Shanghai Konka Green Science & Technology Co., Ltd.	Shenzhen Konka Precision Mould Manufacturing Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Guangdong Chutian Dragon Smart Card Co., Ltd.	Kunshan Konka Electronic Co., Ltd.
Carrying value of equity investment to associated enterprises	79,729,560.91	99,562,391.48	210,279,132.55	617,214,571.50	205,706,932.86
Fair value of equity investment to joint ventures with public offer	—	—	—	—	—
Operating revenue	510,907,923.27	437,458,462.41	782,641,588.11	927,468,144.67	1,843,565,739.98
Finance costs	11,748,541.28	6,320,383.30	23,563,857.52	8,182,245.66	5,261,591.15
Income tax expense	3,287,206.08	-2,377,582.97	6,679,871.51	12,858,203.25	-
Net profit	-846,400.27	15,492,439.99	39,929,305.04	91,253,269.69	-1,656,818.45
Net profit from discontinued operations	—	—	—	—	—
Other comprehensive income	-2,440,477.18	—	—	—	—
Total comprehensive income	-3,286,877.45	15,492,439.99	39,929,305.04	91,253,269.69	-1,656,818.45
Dividends received from joint venture in Reporting Period	—	—	—	—	—

## IX. The Risk Related to Financial Instruments

The Company's main financial instruments include monetary assets, notes receivable, interest receivable, other receivables, available-for-sale financial assets, other current assets, short-term borrowings, other payables, interest payable, long-term borrowings, etc. Details of the various financial instruments are shown in the relevant notes to Annotation VI. Risks related to these financial instruments, and risk management policies the Company has adopted to reduce these risks are described as follows. The Company management manages and monitors the risk exposure in order to ensure the above risks to be controlled in a limited scope.

The Company use sensitivity analysis technology to analyze the reasonable of risk variables, influence of probable changes to the current profit or loss and Stockholders' equity. Because rarely any risk variables change in isolation, and the correlation between variables for the eventual impact of the change of a risk variables will have a significant effect, thus, the aforesaid content was processing under the assumption of the change of each variable was conducted independently.

### **(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 and HKD, except the procurement, sales and financing by US dollars for several subsidiaries such as the Company, Hong Kong Konka, Konka Household Appliances International Trading Co., Ltd., Chain Kingdom (Shenzhen) Co., Ltd., Europe Konka, Kangjietong, Jiixin Technology and Jiali International which settled by USD for purchase and sale, the other main businesses of the Company and the subsidiaries were settled by RMB. On 30 June 2018, refer to Note. VI-60 Foreign Currency Monetary Items for details of foreign currency monetary items, and

the foreign exchange risks produced by the assets and liabilities balance may affect the business performance of the Company.

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 bank loans. 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.

The risk of change in cash flow of financial instruments due to the change of interest rate of the Company is mainly related to the borrowing of banks. As of 30 June 2018, the long-term and short-term borrowings had a total balance of RMB10,898,447,703.32.

The Sensitivity analysis to interest rate risk was based on the follow assumption:

- Market interest rates change may affect the interest income or expense of variable rate financial instruments;

Based on the above assumptions, if other variables remain the same, the pre-tax impacts of possible reasonable interest rate changes on the profits and losses of the Current Period and the shareholders' equities are as follows:

Item	Changes in interest rate	Influence on profits
Short-term and long-term borrowings	Up 1.00%	-108,984,477.03
Short-term and long-term borrowings	Down 1.00%	108,984,477.03

### (3) Other Price Risk

The investment held by the Company classified as available-for-sale financial assets and tradable financial assets, the financial assets at fair value through profit or loss, and the financial liabilities at fair value through profit or loss shall be accounted at fair value on the balance sheet date. The management of the Company believed the market price risk facing

those investment activities was acceptable. For details of equity investment in listed companies held by the Company, please refer to Note VI-11. Available-for-sale Financial Assets.

## 2. Credit Risk

On 30 June 2018, 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: carrying amount recognized in consolidated balance sheet. For financial instruments measured at fair value, the carrying value reflect its risk exposure, but not the biggest one, and 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. The management of the Company monitored the use of bank's loans and guaranteed the observance of the borrowing agreements.

The Company took the bank's loans as the main financing channel. The retained amount of loans of the Company by the end of 30 June 2018 was presented in Note XIV. Other Significant Events-7 in detail.

### (II) Offset between Financial Assets and Financial Liabilities

The recognized financial assets under the executable general off-set agreement or similar agreement at the end of the Reporting Period were listed as follows:

Item	Period-end		
	Total confirmed financial assets (RMB'0,000)	Amount offset of confirmed financial liabilities (RMB'0,000)	Net financial assets listed in the balance sheet (RMB'0,000)

Off-set of trading borrowings between financial products	588,937.54	588,577.74	359.80
Off-set of trading borrowings between notes receivable	—	—	—

## X. The Disclosure of Fair Value

### 1. Ending Fair Value of Assets and Liabilities at Fair Value

Item	Ending fair value			Total
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	
<b>I. Consistent fair value measurement</b>				
(I) Financial assets at fair value through profit or loss	<b>14,497,221.94</b>	—	—	<b>14,497,221.94</b>
1. Trading financial assets	—	—	—	—
2. Income from purchase agreement of forward foreign exchange	14,497,221.94	—	—	14,497,221.94
(II) Available-for-sale financial assets	—	—	—	—
1. Debt instrument investment	—	—	—	—
2. Equity instrument investment	—	—	—	—
3. Other	—	—	—	—
<b>Total assets of consistent fair value measurement</b>	<b>14,497,221.94</b>	—	—	<b>14,497,221.94</b>
(III) Financial liabilities at fair value through profit or loss	<b>1,827,480.43</b>	—	—	<b>1,827,480.43</b>
1. Income from purchase agreement of forward foreign exchange	1,827,480.43	—	—	1,827,480.43
<b>Total liabilities of consistent fair value measurement</b>	<b>1,827,480.43</b>	—	—	<b>1,827,480.43</b>
<b>Total assets of inconsistent fair value measurement</b>	—	—	—	—
<b>Total liabilities of inconsistent fair value measurement</b>	—	—	—	—

### 2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 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

## XI. Connected Party and Connected Transaction

### 1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
Overseas Chinese Town Enterprises Co.	Shenzhen	Tourism, real estate, electronics industry	RMB12 billion	30.30	30.30

Note: the final controller of the Company is State-owned Assets Supervision and Administration Commission

### 2. Subsidiaries of the Company

Refer to Note VIII-1. Equity in Subsidiaries

### 3. Information on the Associated Enterprises of the Company

Refer to Note VIII-2. Equity in Associated Enterprises for details of significant associated enterprises of the Company. Information on other joint ventures or associated enterprises occurring connected transactions with the Company in Reporting Period, or forming balance due to connected transactions made in previous period:

Name	Relationship with the Company
Shenzhen Jielunte Technology Co., Ltd.①	Associated enterprise
Kunshan Konka Electronic Co., Ltd.	Associated enterprise
Shenzhen Konka Information Network Co., Ltd. Shenzhen Konka Precision Mould Manufactory Co., Ltd.	Associated enterprise
Zhuhai Jinsu Plastic Co., Ltd.	Associated enterprise
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Associated enterprise
Beijing Konka Technology Co., Ltd.	Associated enterprise
Shenzhen Zhongbing Konka Technology Co., Ltd.	Associated enterprise
Anhui Konka Green Lighting Technology Co., Ltd.	Associated enterprise
Shenzhen Bosheng Advanced Materials Co., Ltd.	Associated enterprise

Name	Relationship with the Company
Helongjiang Longkang Zhijia Technology Co., Ltd.	Associated enterprise
Shaanxi Silk Road Cloud Smart Tech Co., Ltd.	Associated enterprise
Anhui Kaikai Shijie E-commerce Co., Ltd.	Associated enterprise

Note: ① Shenzhen Konka Precision Mould Manufacturing Co., Ltd. was renamed Shenzhen Jielunte Technology Co., Ltd.

#### 4. Information on Other Connected Parties

Name	Relationship with the Company
Guoguang Eastern Network (Beijing) Co., Ltd.	Shareholder of the associated enterprise
Shenzhen Shangyongtong Investment Development Co., Ltd.	Non-controlling interest of the subsidiary
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Associated enterprise of the subsidiary
Weihai City Water Environmental Protection Technology Co., Ltd.	Associated enterprise of the subsidiary
Weihai Yiheng Environment Technology Co., Ltd.	Associated enterprise of the subsidiary
Laizhou Lairun Financing Lease Co., Ltd.	Associated enterprise of the subsidiary
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd.	Associated enterprise of the subsidiary
Shandong Bishuiyuan Environmental Protection Technology Co., Ltd.	Associated enterprise of the subsidiary
Yantai Econ Business Management Center (LLP)	Associated enterprise of the subsidiary
Suntrans Intelligence & Equipment Co., Ltd.	Associated enterprise of the subsidiary
Beijing Konka Jingyuan Technology Co., Ltd.	Associated enterprise of the subsidiary
Shenzhen RF-LINK Polytron Technologies Inc	Associated enterprise of the subsidiary
Konka Ventures Development (Shenzhen) Co., Ltd.	Associated enterprise of the subsidiary
Oriental Huijia (Zhuhai) Assets Management Co., Ltd.	Associated enterprise of the subsidiary
Changrong Media Co., Ltd.	The final controller of the non-controlling interest of the subsidiary
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	Controlled by the final controller of the non-controlling interest of the subsidiary
Shenzhen Zhonglian Datong Supply Chain Management and Consulting Co., Ltd	Controlled by the final controller of the non-controlling interest of the subsidiary
Wulianfeng Huichuan Internet Technology Partnership (LLP)	Non-controlling interest of the subsidiary

#### 5. List of Connected Transactions

##### (1) Information on Acquisition of Goods and Reception of Labor Service

## ① Information on acquisition of goods and reception of labor service

Connected party	Content	Reporting Period	Same period of last year
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	Purchase of materials	165,222,526.85	72,430,652.14
Kunshan Konka Electronic Co., Ltd.	Purchase of materials and commodity	576,672,801.38	—
Shenzhen Konka Information Network Co., Ltd.	Commodity purchase	219,735,005.00	2,585,675.21
OCT Group and its subsidiaries	Purchase of materials and services	13,494,613.22	49,578,374.49
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	Advertising agency		—
Zhuhai Jinsu Plastics Co., Ltd.	Material purchase	4,146,000.00	—
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Material purchase	289,054.46	799,033.15
ChainKingdom Co., Limited	Consultancy	1,160,469.47	0.00
Beijing Konka Technology Co., Ltd.	Commodity purchase	1,393,783.09	—
Guoguang Ruilian (Shenzhen) Network Technology Co., Ltd.	Commodity purchase	351,361.55	—
Shenzhen Refond Optoelectronics Co., Ltd.	Material purchase		77,564,260.96
Guoguang Eastern Network (Beijing) Co., Ltd.	Commodity purchase	-	81,484,429.91
Changrong Media Co., Ltd.	Advertising agency	1,660,000.00	6,415,094.34
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd.	Engineering construction	7,391,146.29	

## ② Information of sales of goods and provision of labor service

Connected party	Content	Reporting Period	Same period of last year
Kunshan Konka Electronic Co., Ltd.	Sales of materials	422,921,017.22	—
Shenzhen Konka Information Network Co., Ltd.	Sales of materials and providing service	102,627,704.48	2,648,776.15
OCT Group and its subsidiaries	Commodity sales, providing service	18,646,368.89	9,671,398.15
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	Commercial factoring	14,485,742.69	11,568,683.11
Guoguang Eastern Network (Beijing) Co., Ltd.	Commodity sales	1,385,765.21	80,608,719.74



Connected party	Content	Reporting Period	Same period of last year
Shenzhen Zhongbing Technology Co., Ltd.	material sales, providing service	-	1,233,572.79
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Commodity sales		—
Anhui Konka Green Lighting Technology Co., Ltd.	Providing service		216,246.39
Beijing Konka Technology Co., Ltd.	Providing service	7,901,215.40	
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Commodity sales,	3,235.90	147,369.23
Shenzhen Refond Optoelectronics Co., Ltd.	Purchase material		11,997,198.94
Changrong Media Co., Ltd.	Advertising agency	—	0

## (2) Information on Connected Lease

The Company was lessee:

Name of lessor	Category of leased assets	The lease fee confirmed in the Reporting Period	The lease fee confirmed in the same period of last year
OCT Group and its subsidiaries	Commercial residential building and office building	0	601,969.48

## (3) Information on Inter-bank Lending of Capital of Connected Parties

Connected party	Amount	Start date	End date	Applicable interest rate
Borrowing:				
OCT Group Co., Ltd.	500,000,000.00	26 April 2018	21 May 2018	4.35%
OCT Group Co., Ltd.	500,000,000.00	21 May 2018	31 Dec. 2018	6.00%
OCT Group Co., Ltd.	1,400,000,000.00	14 May 2018	13 May 2019	6.00%
OCT Group Co., Ltd.	100,000,000.00	14 June 2018	6 June 2021	5.40%

Note: The interest confirmed with OCT Group Co., Ltd. is RMB 16,382,083.32.

## (4) Information on Connected Guarantee

The Company was guarantor:

Secured party	Currency	Guarantee amount (RMB'0,000)	Amount actually used (RMB'0,000)	Start date	End date	Execution accomplished or not
Anhui Tongchuang	CNY	6,000.00	3,930.00	24 Oct. 2017	24 Oct. 2018	No

Secured party	Currency	Guarantee amount (RMB'0,000)	Amount actually used (RMB'0,000)	Start date	End date	Execution accomplished or not
Anhui Tongchuang	CNY	4,500.00	4,002.50	9 May 2018	9 May 2019	No
Anhui Tongchuang	CNY	3,000.00	0.00	19 June 2018	18 Jun. 2019	No
Telecommunication Technology	CNY	50,000.00	5,224.64	5 Feb. 2018	4 Feb. 2019	No
Anhui Konka	CNY	20,000.00	6,774.14	2018/5/2	2019/4/9	No
Anhui Konka	CNY	8,000.00	8,000.00	1 June 2018	1 June 2019	No
Konka E-display	CNY	2,000.00	1,081.93	20 Jul. 2017	20 Jul. 2018	No
Konka Factoring	CNY	50,000.00	6,210.85	17 Oct. 2017	16 Oct. 2018	No
Konka Factoring	CNY	20,000.00	17,971.59	24 Oct. 2017	27 Sep. 2018	No
Konka Factoring	CNY	14,000.00	14,000.00	27 Jun. 2018	26 Jun. 2019	No
Hong Kong Konka	USD	1,100.00	1,100.00	28 Oct. 2017	27 Oct. 2018	No
Hong Kong Konka	USD	500.00	500.00	27 Sep. 2017	27 Sep. 2018	No
Hong Kong Konka	USD	3,500.00	3,500.00	13 Oct. 2017	13 Oct. 2018	No
Hong Kong Konka	USD	3,000.00	3,000.00	31 May 2018	30 May 2019	No
Sichuan Konka	CNY	14,000.00	5,000.00	28 May 2018	24 May 2025	No
Rushan Yike Water Treatment Co., Ltd.	CNY	29,000.00	15,000.00	29 Dec. 2016	29 Dec. 2026	No

Note: The Company provided a joint liability guarantee for the project financing borrowing of RMB290,000,000.00 on 27 December 2016 by Rushan Yike Water Treatment Co., Ltd. (within the consolidation scope) which was a subsidiary of Econ Technology-a new subsidiary of the Company via merger & acquisition. As of 30 June 2018, there was amount of RMB150,000,000.00 not repaid under the guarantee for Rushan Yike Water Treatment Co., Ltd. The duration of the borrowing in the master contract was from 29 December 2016 to 28 December 2026 and the guarantee period was two years from the expiration of the debt on. The Company was secured party (not approved by the Board Secretary, put aside)

Guarantor	Currency	Guarantee amount (RMB'0,000)	Start date	End date	Execution accomplished or not
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Guarantor	Currency	Guarantee amount (RMB'0,000)	Start date	End date	Execution accomplished or not
Wu Guoren and Xiao Yongsong (Note: ①)	USD	3,500.00	11 Nov. 2016	17 Oct. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	1,000.00	6 Mar. 2017	31 Dec. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	1,000.00	24 Apr. 2017	31 Dec. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	1,000.00	11 May 2017	31 Dec. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	300.00	20 June 2018	20 June 2019	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	500.00	3 Jul. 2017	2 Jul. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	500.00	24 Jul. 2017	24 Jul. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	500.00	9 Aug. 2017	8 Aug. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	2,000.00	6 Sep. 2017	5 Sep. 2018	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	2,000.00	5 Mar. 2018	4 Apr. 2019	No
Wu Guoren and Xiao Yongsong (Note: ①)	USD	1,500.00	6 June 2018	5 June 2019	No
Shenzhen Konka Yi Capital Investment Partnership (Limited Partnership) (Note: ②)	RMB	480.00	13 Apr. 2015	—	No
Hunan Vary Tech Packing Co., Ltd.(Note: ③)	RMB	2,000.00	5 Apr. 2017	—	No
Shenzhen Kangwei Investment	RMB	6,860.00	28 May 2018	27 May 2025	No

Guarantor	Currency	Guarantee amount (RMB'0,000)	Start date	End date	Execution accomplished or not
Partnership (Limited Partnership) (Note: ④)					
Chuzhou State-owned Assets Operation Co., Ltd. (Note: ⑤)	RMB	4,400.00	2 May 2018	9 Apr. 2019	No
Chuzhou State-owned Assets Operation Co., Ltd. (Note: ⑥)	RMB	1,760.00	1 June 2018	1 June 2019	No

Note: ① The Company's subsidiary-Hong Kong Konka-provided a short-term borrowing of USD138 million with one-year period. The individual shareholders of Chain Kingdom Co., Ltd. Wu Guosong (holding 25% of shares) and Xiao Yongsong (holding 24% of shares) provided an equity pledge guarantee jointly taking a total shares of 49% they held as the pledge as well as the mortgage guarantee pledged by personal properties.

② Konka Group provided a credit guarantee of RMB20,000,000.00 for its controlling subsidiary-Konka E-display-with the period from 20 July 2017 to 20 July 2018. The businesses covered the opening of L/C, bill acceptance and obtaining banks' financing credit, etc. The non-controlling interest-Shenzhen Yi Capital Investment Partnership (Limited Partnership)-provided the pledge guarantee taking the 40% of shares it held of Konka E-display as the pledge.

③ The Company provided an entrust loan of RMB20 million for the joint-stock company-Hunan Vary Tech Co., Ltd. Hunan Vary Tech Packing Co., Ltd. provided a joint and several guarantee for the principal and interests of the said entrust loan as well as the mortgage guarantee pledged by 4.65 million shares of Hunan Vary Tech Co., Ltd. it held.

④ Shenzhen Konka Telecommunications Technology Co., Ltd., the Company's subsidiary, provided a credit guarantee of RMB140,000,000.00 with the period from 28 May 2018 to 27 May 2025 for Sichuan Konka Intelligent Terminal Technology Co., Ltd., its affiliated company, for obtaining the financing credit business from banks by the latter. Sichuan Konka Intelligent Terminal Technology Co., Ltd. is a wholly-owned subsidiary of Shenzhen Konka Mobile Interconnection Technology Co., Ltd. Shenzhen Kangwei Investment Partnership (Limited Partnership), the non-controlling interest of Shenzhen Konka Mobile Interconnection Technology Co., Ltd., provided a guarantee with 49% shares of Shenzhen Konka Mobile Interconnection Technology Co., Ltd. it held.

⑤ The Company provided a credit guarantee of RMB200,000,000.00 with the period from 2 May 2018 to 9 April 2019 for its majority-owned subsidiary-Anhui Konka-for issuing of L/C and acceptance bill and obtaining financing businesses such as financing credit by the latter. The non-controlling interest-Chuzhou State-owned Assets Operation Co., Ltd.-provided a counter guarantee of 22% for the amount guaranteed by the Company.

⑥ The Company provided a credit guarantee of RMB80,000,000.00 with the period from 1 June 2018 to 1 June 2019 for its majority-owned subsidiary-Anhui Konka-for issuing of L/C and acceptance bill and obtaining financing businesses such financing credit. The non-controlling interest-Chuzhou State-owned Assets Operation Co., Ltd.-provided a counter guarantee of 22% for the amount guaranteed by the Company.

#### (5) Information on Remuneration for Key Management Personnel

Item	Reporting period	Same period of last year
Remuneration for key management personnel	RMB7.6233 million	RMB4.1094 million

## 6. Accounts Receivable and Payable of Connected Party

### (1) Accounts Receivable

Item	Ending balance		Beginning balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable:				
Kunshan Konka Electronic Co., Ltd.	893,458,982.03	17,869,179.63	340,827,332.77	6,816,546.66
Shenzhen Konka Information Network Co., Ltd.	136,119,685.74	2,722,066.80	50,237,204.89	1,586,224.62
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	5,850,541.55	117,010.83	13,685,968.41	614,448.23
OCT Group and its subsidiaries	12,872,909.50	565,241.60	12,597,677.70	398,014.48
Guoguang Eastern Network (Beijing) Co., Ltd.	128,115.00	2,562.30	889,327.11	17,786.54
Anhui Konka Green Lighting Technology Co., Ltd.	-	-	2,479.62	49.59
Shanghai Konka Green Lighting Technology Co., Ltd.	—	—	—	—
Shenzhen Zhongbing Konka Technology Co., Ltd.	—	—	—	—
Shenzhen Refond Optoelectronics Co. Ltd.			—	—

Item	Ending balance		Beginning balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd.	8,647,641.16	432,382.06		
<b>Total</b>	<b>1,057,077,874.98</b>	<b>21,708,443.22</b>	<b>418,239,990.50</b>	<b>9,433,070.12</b>
Notes receivable				
Kunshan Konka Electronic Co., Ltd.		—	20,000,000.00	—
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries		—	657,263.10	—
<b>Total</b>		<b>—</b>	<b>20,657,263.10</b>	<b>—</b>
Other receivables:				
OCT Group and its subsidiaries	448,000.00	16,250.00	20,335,596.53	8,752,805.29
Guoguang Eastern Network (Beijing) Co., Ltd.	-	-	5,600.00	112.00
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	4,448.00	2,224.00	4,448.00	2,224.00
Shandong Chuangweijia Environmental Protection Technology Co., Ltd.	300.00	15.00		
Shenzhen Konka Information Network Co., Ltd.			—	—
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.			—	—
<b>Total</b>	<b>452,748.00</b>	<b>18,489.00</b>	<b>20,345,644.53</b>	<b>8,755,141.29</b>

## (2) Accounts Payable

Item	Ending balance	Beginning balance
Accounts payable:		
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	2,478,270.34	31,792,226.82
Shenzhen Konka Information Network Co., Ltd.	113,767,615.79	9,131,218.97
OCT Group and its subsidiaries	1,540,653.48	42,942,847.99
Kunshan Konka Electronic Co., Ltd.	705,683,753.62	—
Shenzhen Shangyongtong Investment Development Co., Ltd.	9,543,100.00	9,543,100.00
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	-	682,275.95
Shenzhen Dekang Electronics Co., Ltd.	358,929.03	358,929.03
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	170,774.08	—

Item	Ending balance	Beginning balance
Zhuhai Jinsu Plastic Co., Ltd.	264,307.04	—
Guoguang Eastern Network (Beijing) Co., Ltd.	—	13,907,425.83
Shenzhen Refond Optoelectronic Co., Ltd.	—	27,963,779.92
<b>Total</b>	<b>833,807,403.38</b>	<b>136,321,804.51</b>
Notes payable:		
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	2,797,151.22	82,378,625.80
OCT Group and its subsidiaries	6,423,681.26	21,427,941.44
Kunshan Konka Electronic Co., Ltd.	1,888,881.59	—
Zhuhai Jinsu Plastics Co., Ltd.	-	1,000,000.00
Shenzhen Refond Optoelectronics Co. Ltd.	—	45,043,301.91
Changrong Media Co., Ltd.	—	275,291.47
<b>Total</b>	<b>11,109,714.07</b>	<b>150,125,160.62</b>
Advances from customers:		
OCT Group and its subsidiaries	1,294,380.72	16,149,510.73
Kunshan Konka Electronic Co., Ltd.	-	—
Shenzhen Konka Information Network Co., Ltd.	-	—
Shenzhen Zhongbing Konka Technology Co., Ltd.	-	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	-	—
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	14,842,049.31	23,468,903.76
Zhonglianda Co., Ltd.	—	232,667.70
Anhui Konka Green Lighting Technology Co., Ltd.	—	4,063.72
<b>Total</b>	<b>16,136,430.03</b>	<b>39,855,145.91</b>
Other payables:		
Shenzhen Konka Information Network Co., Ltd.	20,000.00	9,021,630.77
Chongqing Konka Auto Electronics Co., Ltd.	0.00	—
Shenzhen Jielunte Technology Co., Ltd. and its subsidiaries	350,000.00	19,440.00
OCT Group and its subsidiaries	105,000.00	4,031,354.68
Shenzhen Konka Intelligent Electrical Apparatus Technology Co., Ltd.	8,955.00	686,375.00
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	-	—
ChainKingdom Co., Limited	-	992,890.82
Kunshan Konka Electronic Co., Ltd.	10,000.00	—
Anhui Konka Green Lighting Technology Co., Ltd.	-	48,670.70
Shenzhen Refond Optoelectronics Co. Ltd.		807,135.00

Item	Ending balance	Beginning balance
Shenzhen Telen Science & Technology Co., Ltd.	—	10,000.00
Laizhou Lairun Financing Lease Co., Ltd.	100,000,000.00	
<b>Total</b>	<b>100,763,955.00</b>	<b>15,617,496.97</b>
Interest payable:		
OCT Group and its subsidiaries	9,151,083.33	43,541.67
<b>Total</b>	<b>9,151,083.33</b>	<b>43,541.67</b>

## XII. Commitments and Contingency

### 1. Significant Commitments

#### (1) Capital Commitment

Item	Ending balance	Beginning balance
Commitments signed but hasn't been recognized in financial statements		
—Commitment on construction and purchase of long-lived assets	—	—
- Contract with large amount	384,379,413.35	247,552,974.60
- Foreign investment commitments	—	—
<b>Total</b>	<b>384,379,413.35</b>	<b>247,552,974.60</b>

#### (2) Operating Lease Commitments

As of the balance sheet date, the irrevocable operating lease commitments that the Company signed were as followed:

Item	Ending balance	Beginning balance
Minimum lease payments of irrevocable operating lease		
1 year after balance date	17,316,803.89	19,362,845.58
2 year after balance date	2,791,887.31	10,257,149.32
3 year after balance date	650,463.88	4,199,375.82
Following years	148,664.00	2,570,971.55
<b>Total</b>	<b>20,907,819.08</b>	<b>36,390,342.27</b>

#### (3) Other Commitments

As of 30 June 2018, there were no other significant commitments for the Company to



disclose.

## 2. Contingencies

### (1) Contingent Liabilities Generated from Pending Action and Arbitration and their Financial Impacts

① Due to the problems of quality and construction delay in the settlement of intelligent engineering project between the Company and Shenzhen GNG Co., Ltd, they didn't agree on the related deductions. On 28 September 2017, Shenzhen GNG Co., Ltd filed a lawsuit to People's Court of Nanshan District, Shenzhen for the payment in project arrears in the Construction Contract of Konka R&D Building Intelligent Engineering, which required the Company to pay RMB2,770,487.13 for the project arrears and RMB340,761.69 for the interests of the project arrears. Up to the issuance date of this Report, People's Court of Nanshan District, Shenzhen hasn't gave judgment.

② Due to the dispute in rent lease contract among the Company's subsidiary-Mudanjiang Appliances, Heilongjiang Jinri Optoelectronics Technology Co., Ltd. and Jinyue Group Co., Ltd., the People's Court of Aimin District, Mudanjiang City, Helongjiang Province made the main civil judgment (2016) Hei 1004 Minchu No. 604 on 25 August 2017. The Judgment was as follows: The defendants Heilongjiang Jinri Optoelectronics Technology Co., Ltd. and Jinyue Group Co., Ltd. should jointly pay the plaintiff-Mudanjiang Appliances a total of RMB3,656,910.82 in occupancy fees, rent, and interest. As of the issue date of this report, it has not yet been implemented completely.

There was a dispute among the Company's subsidiary-Mudanjiang Appliances, Mudanjiang Wangjiangmian Restaurant Management Co., Ltd., Liu Lixia (the actual controller of Mudanjiang Wangjiangmian Restaurant Management Co., Ltd.), Heilongjiang Jinri Optoelectronics Technology Co., Ltd., and Jinyue Group Co., Ltd over the compensation of RMB4.2 million for the death and losses of Mudanjiang Wangjiangmian Restaurant Management Co., Ltd. Mudanjiang Appliances believed that it should not be held liable for natural disasters, and the RMB4.2 million paid by Mudanjiang Appliances is the advance payment which should be regarded as the accounts paid on the behalf of Mudanjiang Wangjiangmian Restaurant Management Co., Ltd. and Liu Lixia. As of the issue date of this report, the People's Court of Dongan District of Mudanjiang City, Heilongjiang Province had not made a judgment yet.

There was a dispute among the Company's subsidiary- Mudanjiang Appliances, Zhang Zhiqiang (the plaintiff) and Jinyue Group Co., Ltd. over the loan of RMB6.5 million. The amount was actually generated from the intention acquisition by Jinyue Group Co., Ltd. of

stocks held by the Company and Mudanjiang State-owned Assets Investment Holdings Co., Ltd. due to staff relocation. The main judgments of the (2016) Hei 1004 Minchu No. 223 Civil Judgment issued by the People's Court of Aimin District, Mudajiang City, Helongjiang Province on 29 November 2017 were as follows: the Company and the Municipal State-owned Assets Investment Holding Co., Ltd. should pay the plaintiff-Zhang Zhiqiang RMB765,993.95 and the interest of RMB115,576.77; the subsidiary- Mudanjiang Appliances should assume joint and several liquidation liabilities for the above amount; and other claims of Zhang Zhiqiang were rejected. On 12 April 2018, the judgment of second instance rejected the appeal of Zhang Zhiqiang and affirmed the original judgment.

## (2) Contingent Liabilities Generated from Providing Debt Guarantee for Other Entities and their Financial Impacts

① The Company signed the guarantee contract of maximum amount (No. 2017XCYZBZ No.17czA0017-a) with Chuzhou Branch of China Citic Bank on 24 October 2017, in which the Company provided credit guarantee of RMB60 million to Anhui Tongchuang from 24 October 2017 to 24 October 2018. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang and obtain the financing credit and other daily businesses from the bank. As of 30 June 2018, the guarantee amount has been used RMB39,300,000.00.

② The Company signed the guarantee contract of maximum amount (No. CZZHZGBZ 2018 No.0103) with Chengzhong Branch of Chuzhou Eastern Anhui Rural Commercial Bank on 9 May 2018, in which the Company provided credit guarantee of RMB45,000,000.00 to Anhui Tongchuang from 9 May 2018 to 9 May 2019. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang and obtain the financing credit and other daily businesses from the bank. As of 30 June 2018, the guarantee amount has been used RMB40,025,000.00.

③ The Company signed the guarantee contract of maximum amount (No. CZGSB02GBT20180011) with Chuzhou Branch of China Everbright Bank on 19 June 2018, in which the Company provided credit guarantee of RMB30,000,000.00 to Anhui Tongchuang from 19 June 2018 to 18 June 2019. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang and obtain the financing credit and other daily businesses from the bank. As of 30 June 2018, the guarantee amount has not been used yet.

④ The Company signed the guarantee contract of maximum amount (No. 07301KB20178088) with Shenzhen Branch of Bank of Ningbo on 21 July 2017, in which the Company provided credit guarantee of RMB20,000,000.00 to Konka E-display from 20 July 2017 to 20 July

2018. The credit line is mainly used to open and accept the letter of credit of Konka E-display and obtain the financing credit and other daily businesses from the bank. As of 30 June 2018, the guarantee amount has been used RMB10,606,743.10. Shenzhen Konka E Capital Investment Partnership (LLP), the non-controlling interest of Konka E-display, provided 40% of counter guarantee to the amount.

⑤ The Company signed the Guarantee Contract of Maximum Amount (No. ZB7908201700000042) with Shenzhen Branch of Shanghai Pudong Development Bank for comprehensive credit line of RMB500,000,000.00 on 14 November 2017 used to help Konka Factoring to obtain the financing loan from the bank. The guarantee period is from 17 October 2017 to 16 October 2018. As of 30 June 2018, the amount has been used RMB62,108,473.38.

⑥ The Company signed the Guarantee Contract of Maximum Amount (HXSFZLEBZ No.20171023002001) with Shenzhen Branch of Guangdong Huaxing Bank for comprehensive credit line of RMB200,000,000.00 on 23 October 2017 used to help Konka Factoring to obtain the financing loan from the bank. The guarantee period is from 24 October 2017 to 27 September 2018. As of 30 June 2018, the amount has been used RMB179,715,885.15.

⑦ The Company signed *Issuing Guarantee/SLC Agreement (No. 81050120180000040)* and applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of RMB140,000,000.00 on 27 June 2018 for Konka Factoring to obtain the financing loan from the bank. The guarantee period is 27 June 2018 to 26 June 2019. Konka Factoring has obtained the loan of RMB135,800,000.00 from Dubai Branch of ABC as of 30 June 2018.

⑧ The Company signed the Guarantee Contract (2018CZYEDBZNo.006) with Chuzhou Branch of Bank of China on 2 May 2018, in which the Company provided credit guarantee of RMB200,000,000.00 to Anhui Konka from 2 May 2018 to 9 April 2019. The credit line is mainly used to open and accept the letter of credit of Anhui Konka and obtain the financing credit and other daily businesses from the bank. As of 30 June 2018, the guarantee amount has been used RMB67,550,000.00. Chuzhou State-owned Assets Operation Co., Ltd., the non-controlling interest of Anhui Konka, provided 22% of counter guarantee to the amount.

⑨ The Company signed the Guarantee Contract of Maximum Amount (CZZHZGBZ2018No.0133) with Chengzhong Branch of Chuzhou Eastern Anhui Rural Commercial Bank Co., Ltd. on 1 June 2018, in which the Company provided credit guarantee of RMB80,000,000.00 to Anhui Konka from 1 June 2018 to 1 June 2019. The credit line is mainly used to open and accept the letter of credit of Anhui Konka and obtain

the financing credit and other daily businesses from the bank. As of 30 June 2018, the guarantee amount has been used RMB80,000,000.00. Chuzhou State-owned Assets Operation Co., Ltd., the non-controlling interest of Anhui Konka, provided 22% of counter guarantee to the amount.

⑩ The Company applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of USD11,000,000.00 on 28 August 2017 for Hong Kong Konka to obtain the financing loan from the bank. The guarantee period is 28 August 2017 to 27 August 2018. Hong Kong Konka has obtained the loan of USD11,000,000.00 from Bank of China (Hong Kong) Co., Ltd. as of 30 June 2018.

⑪ The Company signed *Issuing Guarantee/SLC Agreement (No.2017SJTZEZNo.008)* and applied to Shenzhen Branch of China Mingsheng Bank Corp for issuing the letter of guarantee of USD5,000,000.00 on 25 September 2017 for Hong Kong Konka to obtain the financing loan from the bank. The guarantee period is 27 September 2017 to 27 September 2018. Hong Kong Konka has obtained the loan of USD5,000,000.00 from Bank of China (Hong Kong) Co., Ltd. as of 30 June 2018.

⑫ The Company signed *Issuing Guarantee/SLC Agreement (No.2017SJTZEZNo.008)* and applied to Shenzhen Branch of China Mingsheng Bank Corp for issuing the letter of guarantee of USD35,000,000.00 on 25 September 2017 for Hong Kong Konka to obtain the financing loan from the bank. The guarantee period is 13 October 2017 to 13 October 2018. Hong Kong Konka has obtained the loan of USD35,000,000.00 from Bank of China (Hong Kong) Co., Ltd. as of 30 June 2018.

⑬ The Company signed *Issuing Guarantee/SLC Agreement (No. 81050120180000032)* and applied to Shenzhen OCT Branch of ABC for issuing the letter of guarantee of USD30,000,000.00 on 31 May 2018 for Hong Kong Konka to obtain the financing loan from the bank. The guarantee period is 31 May 2018 to 30 May 2019. Hong Kong Konka has obtained the loan of USD30,000,000.00 from Bank of China (Hong Kong) Co., Ltd. as of 30 June 2018.

⑭ Shenzhen Konka Telecommunications Technology Co., Ltd. signed the Guarantee Contract (No.[23301]YSHBZ[180525]No.00001) with Lingang Branch of Yinbin City Commercial Bank for providing its subsidiary-Sichuan Konka Smart terminal Technology Co., Ltd.-with a credit guarantee of RMB140,000,000.00 on 28 May 2018 used to help Sichuan Konka Smart terminal Technology Co., Ltd. to obtain the financing loan from the bank. The guarantee period is from 28 May 2018 to 27 May 2025. As of 30 June 2018, the amount has been used RMB50,000,000.00. Shenzhen Kangwei Investment Partnership (LLP), the other shareholder

of Sichuan Konka Smart terminal Technology Co., Ltd., provided 49% of counter guarantee to the amount guaranteed by Telecommunication Technology.

⑮The Company applied a comprehensive credit line of RMB500,000,000.00 to OCT Branch of Bank of Communications. As of 30 June 2018, the amount has been used RMB300 million. The rest amount of RMB200 million has not been used yet.

⑯The Company applied a comprehensive credit line of RMB1,000,000,000.00 to Shenzhen Branch of Guangdong Huaxing Bank. As of 30 June 2018, the amount has been used RMB300,000,000.00. Among the rest amount, RMB500,000,000.00 has not been used, and RMB200,000,000.00 has been transferred to Konka Factoring (Shenzhen) Co., Ltd.

### (3) Other Contingent Liabilities and their Financial Influence

As of 30 June 2018, there was no significant contingent for the Company to disclose.

## XIII. Events after Balance Sheet Date

1. On 8 August 2018, the 8<sup>th</sup> Board of Directors of Konka Group made decisions on an increased capital of RMB232 million to Anhui Konka Tongchuang Household Appliances Co., Ltd. due to business development, after the resolution of the 46<sup>th</sup> meeting, with the capital increase price of RMB1 to registered capital of RMB1. Then the registered capital of Anhui Konka Tongchuang Household Appliances Co., Ltd. will increase to RMB502 million.

2. As the joint stock company of the Company, Kunshan Kangsheng Investment Development Co., Ltd. (the Company holds 49% of its equity), purchased the Kunshan Land Network [2018] No. 5-8 Parcel of Land for RMB590,062 through public auction and obtained the *Notice of Online Listing Transfer of State-Owned Construction Land Use Rights* issued by the Kunshan Municipal Bureau of Land and Resources.

3. On 16 August 2018, the Company will complete the merger and acquisition of Jiujiang Golden Phoenix Decoration Material Co., Ltd. with a registered capital of RMB272.7273 million. The Company contributes RMB765 million (or 51% shares) and possesses the control power over it.

## XIV. Other Significant Events

1. On 22 May 2018, the 8<sup>th</sup> Board of Directors of the Company deliberated and passed the *Proposal on the Company's Compliance with Non-Public Issuance of Corporation Bonds*, the *Proposal on the Company's Non-Public Issuance of Corporation Bonds*, and *Proposal on Requesting General Meeting of Stockholders of the Company to Authorize the Board of Directors to Fully Handle Issues Related to Non-public Issuance of Corporation Bonds* on the 43<sup>rd</sup> meeting. In order to widen the financing channels and optimize the debt structure, the Company plans to issue non-public corporation bonds, with the total amount of face

value not exceeding RMB5 billion (including RMB5 billion). The non-public issuance of corporation bonds has been approved by the General Meeting of Stockholders of the Company.

2. On 22 May 2018, the Eighth Board of Directors of the Company deliberated and passed the *Proposal on Carrying out the Securitization of Receivables Assets* on the 43<sup>rd</sup> meeting. In order to reduce the occupation of Company funds by accounts receivable, the Company plans to carry out the asset securitization of receivables, which has been approved by the General Meeting of Stockholders of the Company and will be issued according to market conditions.

3. On 22 May 2018, the Eighth Board of Directors of the Company deliberated and passed the *Proposal on the Wholly-owned Subsidiary Implementing Commercial Factoring Asset Securitization Business* on the 43<sup>rd</sup> meeting. In order to widen the financing channels, revitalize the stock assets and accelerate the assets turnover, Konka Factoring (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, plans to carry out commercial factoring asset securitization business, which has been deliberated and passed by the General Meeting of Stockholders of the Company as a special plan. It is still necessary to obtain a no objection letter for listing issued by the security exchange and to report to the China Securities Investment Fund Association for filing after finishing the issuance.

4. The 8<sup>th</sup> Board of Directors of the Company agreed that Konka Group transferred 51% equity of Kunshan Kangsheng Investment Development Co., Ltd. to Taizhou Overseas Chinese Town Co., Ltd., with the transfer price of RMB280,680,300 due to business development after the resolution of the 44<sup>th</sup> meeting. So far, the Company received 50% equity transfer fund from Taizhou Overseas Chinese Town Co., Ltd. and completed the equity change of Kunshan Kangsheng Investment Development Co., Ltd.

5. In order to implement the expansion idea of “Technology + Industry + Urbanization”, the Company plans to invest no less than RMB1 billion in the Tianfu New District, Sichuan, via its holding subsidiary to build the headquarters base of the Konka Group’s ‘Belt and Road’. The Board of Directors of the Company held the 45<sup>th</sup> meeting of the Eighth Board of Directors on 27 June 2018, deliberating and passing the *Proposal on Investing in the Construction of the Konka Group’s ‘Belt and Road’ Headquarters Base in Chengdu*.

6. On 29 June 2018, Anhui Konka Electrical Appliance Technology Co., Ltd., the majority-owned subsidiary of the Company (the Company indirectly holds 51% shares), won the 100% shares of Henan Frestec Electrical Appliance Co., Ltd., Henan Frestec Refrigeration Appliance Co., Ltd. and Henan Frestec Household Appliance Co., Ltd. at RMB455 million. At present, the three companies are in the process of reorganization and

will formally resume production on 28 August 2018.

7. In November 2015, the Company and the Company's subsidiary E-display signed the Intention Agreement on Equity Transfer with Guangdong Sunwill Precising Plastic Co., Ltd. (hereinafter referred to as the "Sunwill Company"), in which the Company intended to transfer the 60% shares in E-display to Sunwill Company. As stipulated in the agreement, Sunwill Company should perform the obligation of information disclosure and reporting to CSRC and corresponding stock exchange within 3 days from the date when its shareholding exceeds 5% on, pay the cash deposit and sign the formal agreement in accordance with the agreement and the listing announcement, and compensate for the Company's losses (such as the listing expense and expected revenues of Party B etc.) if any defaults were made by it. After the signing of the agreement, the Company has made the preparations for the equity transfer in line with the agreement including entrusting the CPAs to audit and evaluate the corporate appraisal, etc. In January 2016, the Company sold the 60% shares of E-display it held on Shanghai United Assets and Equity Exchange pursuant to the agreement. However Sunwill Company had not delisted yet when the listing period expired. Then, the Company sent a notice to Sunwill Company to urge its delisting. And Sunwill Company replied and clearly gave up delisting. In May 2016, the Company and E-display filed a lawsuit to Shenzhen Nanshan District People's Court against the default of Sunwill Company.

In accordance with the civil judgment (2016)Yue 0305MC No. 6421 by Guangdong Shenzhen Nanshan District People's Court, the Intention Agreement on Equity Transfer signed by the Company and E-display with Sunwill Company was terminated on 16 March 2016; Sunwill Company compensated for the Company's direct losses of RMB150,880.00 and for E-display's direct losses of RMB27,576.60; and other claims of the Company and E-display were rejected. The Company appealed to Shenzhen Intermediate People's Court for the rejection of the first-instance judgment. Pursuant to the civil judgment (2017) Yue 03 MZ No.: 5299 by Shenzhen Intermediate People's Court made on 7 February 2018, the original judgment was affirmed other than the fourth item-"rejecting other claims of the Company and E-display" in the civil judgment (2016)Yue 0305MC No. 6421 by Guangdong Shenzhen Nanshan District People's Court, and Sunwill Company was requested to compensate for the Company's losses on acquirable interest of RMB7.2 million. On 16 March 2018, the Company received the compensation paid by Sunwill Company. So far the case has been closed.

8. Chongqing Qingjia Electronics Co., Ltd., a subsidiary of the Company, will conduct the liquidation after completing land purchasing and storage.

## XV. Notes of Main Items in the Financial Statements of the Company

### 1. Accounts Receivable

#### (1) Accounts Receivable Disclosed by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant 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	2,103,437,646.59	44.50	198,119,251.75	9.42	1,905,318,394.84
Group 2: connected party group	2,594,439,350.80	54.89			2,594,439,350.80
Subtotal of groups	<b>4,697,876,997.39</b>	<b>99.39</b>	<b>198,119,251.75</b>	<b>4.22</b>	<b>4,499,757,745.64</b>
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	28,826,439.50	0.61	16,960,135.86	58.84	11,866,303.64
Total	<b>4,726,703,436.89</b>	<b>100.00</b>	<b>215,079,387.61</b>	<b>4.55</b>	<b>4,511,624,049.28</b>

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	—	—	—	—	—
Accounts receivable withdrawal of bad debt					



Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
provision of by credit risks characteristics:					
Group 1: aging group	2,082,823,910.69	42.10	197,902,700.06	9.50	1,884,921,210.63
Group 2: connected party group	2,827,688,037.26	57.16	—	—	2,827,688,037.26
Subtotal of groups	<b>4,910,511,947.95</b>	<b>99.26</b>	<b>197,902,700.06</b>	<b>4.03</b>	<b>4,712,609,247.89</b>
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	36,839,946.40	0.74	17,295,202.04	46.95	19,544,744.36
Total	<b>4,947,351,894.35</b>	<b>100.00</b>	<b>215,197,902.10</b>	<b>4.35</b>	<b>4,732,153,992.25</b>

① In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year	1,894,407,746.72	37,874,274.02	2.00%
1 to 2 years	46,567,170.20	2,328,358.51	5.00%
2 to 3 years	2,718,733.96	543,746.79	20.00%
3 to 4 years	2,251,224.67	1,125,612.34	50.00%
4 to 5 years	2,491,021.90	1,245,510.95	50.00%
Over 5 years	155,001,749.14	155,001,749.14	100.00%
Total	<b>2,103,437,646.59</b>	<b>198,119,251.75</b>	

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

Name of the group	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Connected party group within the consolidation scope	2,594,439,350.80	—	—
Total	<b>2,594,439,350.80</b>	—	—

③ The top 5 accounts receivable with insignificant single amount for which bad debt

## provision separately accrued

Name of customer	Ending balance			Withdrawal reason
	Account receivable	Bad debt provision	Withdrawal proportion (%)	
Yunnan Radio and Television Network Group Co., Ltd.	2,138,825.00	748,588.75	35.00	It is estimated that part of the amount is difficult to recover.
Henan Radio and Television Network Co., Ltd.	4,580,000.00	1,374,000.00	30.00	It is estimated that part of the amount is difficult to recover.
Administration of Radio, Film and Television in Xinjiang Uygur Autonomous Region	1,708,054.00	546,577.28	32.00	It is estimated that part of the amount is difficult to recover.
Beijing CP Lotus Store	1,656,628.91	1,656,628.91	100.00	It is estimated that the amount is difficult to recover
Qinhuangdao Baihai Electric Appliance Co., Ltd.	1,430,290.00	230,290.00	16.10	It is estimated that part of the amount is difficult to recover.
<b>Total</b>	<b>11,513,797.91</b>	<b>4,556,084.94</b>		

## (2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB0.00; the amount of the reversed or collected part during the Reporting Period was of RMB118,514.49, the amount of write-off during the Reporting Period was RMB0.00.

## (3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

The total top 5 accounts receivable in ending balance collected according to the arrears party was RMB3,143,265,739.53, accounting for 66.50% of total ending balance of accounts receivable, the total ending balance of bad debt provision correspondingly withdrawn was RMB2,713,403.37.

**2. Other Receivables**

## (1) Other Receivables Classified by Category

Category	Ending balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with significant single amount for which bad debt provision separately accrued	173,061,959.33	4.71	162,467,164.97	93.88	10,594,794.36
Other receivables withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	139,981,486.90	3.81	24,771,476.52	17.70	115,210,010.38
Group 2: connected party group	3,360,014,695.66	91.41		0.00	3,360,014,695.66
Subtotal of groups	<b>3,499,996,182.56</b>	<b>95.22</b>	<b>24,771,476.52</b>	<b>0.71</b>	<b>3,475,224,706.04</b>
Other receivables with insignificant single amount for which bad debt provision separately accrued	2,515,181.05	0.07	733,893.67	29.18	1,781,287.38
<b>Total</b>	<b>3,675,573,322.94</b>	<b>100.00</b>	<b>187,972,535.16</b>	<b>5.11</b>	<b>3,487,600,787.78</b>

(Continued)

Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with significant single amount for which bad debt provision separately accrued	173,061,959.33	3.84	162,467,164.97	93.88	10,594,794.36
Other receivables withdrawn bad debt provision according to credit risks characteristics		-			
Group 1: aging group	121,170,320.79	2.69	24,301,146.90	20.06	96,869,173.89

Group 2: connected party group	4,205,636,078.64	93.41	—	—	4,205,636,078.64
Subtotal of groups	<b>4,326,806,399.43</b>	<b>96.10</b>	<b>24,301,146.90</b>	<b>0.56</b>	<b>4,302,505,252.53</b>
Other receivables with insignificant single amount for which bad debt provision separately accrued	2,516,181.05	0.06	733,893.68	29.17	1,782,287.37
<b>Total</b>	<b>4,502,384,539.81</b>	<b>100.00</b>	<b>187,502,205.55</b>	<b>4.16</b>	<b>4,314,882,334.26</b>

① Other receivables with significant single amount for which bad debt provision separately accrued at the period-end

Other receivables (unit)	Ending balance			
	Other receivables	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Energy saving subsidy	141,549,150.00	141,549,150.00	100.00	Irrecoverable
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	7,521,158.15	41.52	Difficult to recover in full amount after evaluated
Chongqing Konka Auto Electronic Company	13,396,856.82	13,396,856.82	100.00	Difficult to recover due to bankruptcy liquidation
<b>Total</b>	<b>173,061,959.33</b>	<b>162,467,164.97</b>	<b>—</b>	<b>—</b>

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

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion (%)
Within 1 year	112,476,602.77	2,249,518.22	2.00

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion (%)
1 to 2 years	3,893,887.94	194,694.40	5.00
2 to 3 years	877,853.20	175,570.64	20.00
3 to 4 years	833,557.46	416,778.74	50.00
4 to 5 years	329,342.03	164,671.02	50.00
Over 5 years	21,570,243.50	21,570,243.50	100.00
<b>Total</b>	<b>139,981,486.90</b>	<b>24,771,476.52</b>	

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

Name of the group	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion (%)
Connected party group within the consolidation scope	3,360,014,695.66	—	—
<b>Total</b>	<b>3,360,014,695.66</b>	<b>—</b>	<b>—</b>

## (2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB470,329.61; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

## (3) Top 5 Other Receivables in Ending Balance Collected according to the Arrears Party

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other receivables (%)	Ending balance of bad debt provision
Konka Factoring	Loan and interest	1,506,771,426.27	Within 1 year	40.99	
Kangzhi Trade	Loan and interest	402,848,734.02	Within 1 year	10.96	
Anhui Tongchuang	Loan and interest	399,745,633.35	Within 1 year	10.88	
Energy saving subsidy	Loan and interest	141,549,150.00	Within 1 year	3.85	141,549,150.00
Communication Technology	Loan and interest	61,129,833.33	Within 1 year	1.66	
<b>Total</b>	<b>—</b>	<b>2,512,044,776.97</b>	<b>—</b>	<b>68.34</b>	<b>141,549,150.00</b>

### 3. Long-term Equity Investment

#### (1) Category of Long-term Equity Investment

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	2,996,452,345.01	46,732,484.69	2,949,719,860.32	1,592,732,345.01	46,732,484.69	1,545,999,860.32
Investment to joint ventures and associated enterprises	1,672,969,077.51	5,158,909.06	1,667,810,168.45	1,108,233,473.19	5,158,909.06	1,103,074,564.13
<b>Total</b>	<b>4,669,421,422.52</b>	<b>51,891,393.75</b>	<b>4,617,530,028.77</b>	<b>2,700,965,818.20</b>	<b>51,891,393.75</b>	<b>2,649,074,424.45</b>

#### (1) Investment to the Subsidiaries

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Mudangjiang electric appliances	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				0.00		—
Plasthetics	4,655,000.00			4,655,000.00		—
Konka Household Appliances	10,732,485.69			10,732,485.69		10,732,484.69
Telecommunication	90,000,000.00	210,000,000.00		300,000,000.00		—

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Technology						
Information Network				0.00		—
Shushida	31,500,000.00			31,500,000.00		—
Fittings Technology	48,750,000.00			48,750,000.00		—
Kunshan Kangsheng	350,000,000.00			350,000,000.00		—
Anhui Tongchuang	249,702,612.22			249,702,612.22		—
Konka Factoring	200,000,000.00	100,000,000.00		300,000,000.00		—
Wankaida	10,000,000.00			10,000,000.00		—
Beijing Konka	30,000,000.00	170,000,000.00		200,000,000.00		—
Shushida Logistics	10,000,000.00			10,000,000.00		—
Konka E-display	7,200,000.00			7,200,000.00		—
Kaikai Shijie	16,000,000.00		16,000,000.00	0.00		—
Commercial Technology	5,832,000.00			5,832,000.00		—
Mobile Internet	10,200,000.00			10,200,000.00		—
Yilifang	12,000,000.00			12,000,000.00		—
Dongguan Packing	8,602,009.10			8,602,009.10		—
Konka TID	40,000,000.00			40,000,000.00		—
Konka Ventures	2,550,000.00			2,550,000.00		—

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Konka Pengrun	5,100,000.00	20,400,000.00		25,500,000.00		—
Konka Unifortune	15,300,000.00			15,300,000.00		—
Konka Investment		38,000,000.00		38,000,000.00		—
Electronics Technology		100,000,000.00		100,000,000.00		
Sichuan Kangjiatong		1,020,000.00		1,020,000.00		
Econ Technology		688,500,000.00		688,500,000.00		
Konka Huanjia		91,800,000.00		91,800,000.00		
<b>Total</b>	<b>1,592,732,345.01</b>	<b>1,419,720,000.00</b>	<b>16,000,000.00</b>	<b>2,996,452,345.01</b>	<b>0.00</b>	<b>46,732,484.69</b>

## (3) Investment to Associated Enterprises

Investee	Beginning balance	Beginning balance of depreciation on reserve	Increase/decrease				Changes of other equity
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	
Shanghai Konka Green Science & Technology Co., Ltd.	79,729,560.91	—			-1,062,323.74	324,021.02	



Investee	Beginning balance	Beginning balance of depreciation on reserve	Increase/decrease				
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Zhuhai Jinsu Plastic Co., Ltd.	9,444,160.97	—			627,916.90		
Shenzhen Konka Intelligent Electric Co., Ltd	4,927,589.47	—			-2,065,657.20		
Shenzhen Zhongbing Konka Technology Co., Ltd	14,317,400.80	—			-2,208,794.15		
Shenzhen Konka Information Network Co., Ltd	18,960,898.67	5,158,909.06			196,728.66		

Investee	Beginning balance	Beginning balance of depreciation on reserve	Increase/decrease				
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Shenzhen Yaode Technology Co., Ltd.	210,279,132.55	—			3,705,243.63		
Guangdong Chutian Dragon Smart Card Co., Ltd.	617,214,571.50	—			10,226,294.00		
Guangdong Hotcomm IT Co., Ltd.	1,523,166.24	—			0.00		
Kunshan Konka	151,859,076.20	—			3,587,367.82		
Shenzhen OCT LIFE	-22,084.12	—	3,771,400.00		0.00		

Investee	Beginning balance	Beginning balance of depreciation on reserve	Increase/decrease				
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Shenzhen Bosheng Advanced Materials Co., Ltd.			75,000,000.00			233,407.38	
Heilongjiang Longkang Zhijia Technology Co., Ltd.			7,000,000.00			0.00	
Shaanxi Silk Road Cloud Smart Tech Co., Ltd.			5,400,000.00			0.00	
Anhui Kaikai Shijie E-commerce Co., Ltd.						0.00	

Investee	Beginning balance	Beginning balance of depreciation on reserve	Increase/decrease				
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Total	1,108,233,473.19	5,158,909.06	91,171,400.00	0.00	13,240,183.30	324,021.02	0.00

(Continued)

Investee	Increase/decrease			Ending balance	Ending balance of depreciation reserve
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Shanghai Konka Green Science & Technology Co., Ltd.				78,991,258.19	—
Zhuhai Jinsu Plastic Co., Ltd.				10,072,077.87	—
Shenzhen Konka Intelligent Electric Co., Ltd				2,861,932.27	—
Shenzhen Zhongbing Konka Technology Co., Ltd				12,108,606.65	—
Shenzhen Konka Information Network Co., Ltd				19,157,627.33	5,158,909.06
Shenzhen Yaode Technology Co., Ltd.				213,984,376.18	—
Guangdong Chutian Dragon Smart Card Co., Ltd.				627,440,865.50	—
Guangdong Hotcomm IT Co., Ltd.				1,523,166.24	—

Investee	Increase/decrease			Ending balance	Ending balance of depreciation reserve
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Kunshan Konka				155,446,444.02	—
Shenzhen OCT LIFE				3,749,315.88	—
Shenzhen Bosheng Advanced Materials Co., Ltd.				75,233,407.38	
Heilongjiang Longkang Zhijia Technology Co., Ltd.				7,000,000.00	
Shaanxi Silk Road Cloud Smart Tech Co., Ltd.				5,400,000.00	
Anhui Kaikai Shijie E-commerce Co., Ltd.			460,000,000.00	460,000,000.00	
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>460,000,000.00</b>	<b>1,672,969,077.51</b>	<b>5,158,909.06</b>

#### 4. Operating Revenue and Cost of Sales

##### (1) Operating Revenue and Cost of Sales

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	4,519,683,896.29	4,013,358,791.77	4,206,989,260.45	3,482,365,918.48
Other operations	2,036,884,619.01	1,944,666,140.94	2,065,723,384.28	1,961,473,989.08
<b>Total</b>	<b>6,556,568,515.30</b>	<b>5,958,024,932.71</b>	<b>6,272,712,644.73</b>	<b>5,443,839,907.56</b>

##### (2) Main Operations (Classified by Industry)

Industry	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Electronic industry	4,519,683,896.29	4,013,358,791.77	4,206,989,260.45	3,482,365,918.48
<b>Total</b>	<b>4,519,683,896.29</b>	<b>4,013,358,791.77</b>	<b>4,206,989,260.45</b>	<b>3,482,365,918.48</b>

##### (3) Main Operations (Classified by Product)

Product	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Color TV business	4,224,714,468.42	3,730,979,831.79	4,058,572,854.30	3,352,318,191.14
Consumer appliances business	100,943,929.96	89,279,454.11	148,212,399.29	129,780,963.65
Other	194,025,497.91	193,099,505.86	204,006.86	266,763.69
<b>Total</b>	<b>4,519,683,896.29</b>	<b>4,013,358,791.77</b>	<b>4,206,989,260.45</b>	<b>3,482,365,918.48</b>

##### (4) Main Operations (Classified by Area)

Area	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Domestic sales	3,600,826,510.58	3,175,143,251.38	3,822,475,481.58	3,102,447,555.27
Overseas sales	918,857,385.71	838,215,540.39	384,513,778.87	379,918,363.21
<b>Total</b>	<b>4,519,683,896.29</b>	<b>4,013,358,791.77</b>	<b>4,206,989,260.45</b>	<b>3,482,365,918.48</b>

## (5) Operating Revenue from the Top 5 Customers

Period	Total operating revenue from the top 5 customers	Proportion to the operating revenue of the Reporting Period
Jan.-Jun. of 2018	1,421,092,900.82	11.74
Jan.-Jun. of 2017	1,153,169,124.71	18.38

## 5. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	634,394,080.11	33,233,152.36
Long-term equity investment income accounted by equity method	13,240,183.30	-6,495,694.18
Investment income from disposal of long-term equity investment	48,431,372.55	
Investment income from holding of financial assets at fair value through profit or loss	0.00	
Investment income from disposal of financial assets at fair value through profit or loss	-82,412,478.05	16,271,994.98
Investment income from holding of held-to-maturity investments		—
Investment income from holding of available-for-sale financial assets	13,740,000.00	
Investment income from disposal of available-for-sale financial assets		—
Gains from re-measurement of residual equity at fair value after losing control power	445,568,627.45	
Income from entrust financial products and entrust loans	86,485,492.92	34,754,476.41
Financial assets transferred from equity investments accounted by equity method	0.00	
Total	1,159,447,278.28	77,763,929.57

## XVI. Supplementary Materials

## 1. Items and Amounts of Non-recurring Profit or Loss

Item	Amount	Note
Gain/Loss arising from disposal of non-current assets	109,176,724.28	

Item	Amount	Note
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	0.00	
Government subsidies 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	95,673,059.56	
Capital occupation charges on non-financial enterprises that are recorded into current profit or loss	0.00	
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	0.00	
Gain/Loss on non-monetary asset swap	0.00	
Gain/Loss on entrusting others with investments or asset management	83,860,015.29	
Asset impairment provisions due to acts of God such as natural disasters	0.00	
Gain/Loss from debt restructuring	0.00	
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.	0.00	
Gain/Loss on the part over the fair value due to transactions with distinctly unfair prices	0.00	
Current net profit or loss of subsidiaries acquired in business combination under the same control from period-beginning to combination date	0.00	
Gain/Loss incurred from contingency unrelated to the Company's normal operating businesses.	0.00	
Gain/Loss on changes in fair value arising from holding of trading financial assets and liabilities and investment income from disposal of trading financial assets, financial liabilities and available-for-sale financial assets other than effective hedge business related to the Company's normal operating businesses	-5,196,666.98	
Reverse of bad debt provision of accounts receivable individually conducting impairment test	0.00	
Gain/loss on entrustment loans	599,186.29	
Gain/loss on change in fair value of investment property of which the	0.00	



Item	Amount	Note
subsequent measurement is carried out adopting fair value method		
Effect on current profit or loss when a one-off adjustment is made to current profit or loss according to requirements of taxation, accounting and other relevant laws and regulations	0.00	
Custody fee income when entrusted with operation	0.00	
Other non-operating income and expense other than the above	14,941,575.60	
Project confirmed with the definition of non-recurring gains and losses and losses	445,568,627.45	
Subtotal	<b>744,622,521.49</b>	
Income tax effects	38,310,511.85	
Non-controlling interests effects (after tax)	63,648,357.81	
Total	<b>642,663,651.83</b>	

Notes: the number “+” among the non-recurring profit or loss items refers to revenue and income, while “-” referred to losses or expense.

The recognition of the non-recurring profit or loss items was executed according to the regulations of No.1 of the Information Disclosure Explanatory Notice of the Companies Public Offering Securities-Non-recurring Profit or Loss (ZJH Announcement [2008] No. 43) .

Item	Amount	Reason
Tax rebate of software	34,848,961.96	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 and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	4.19%	0.1419	0.1419
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	-3.69%	-0.1249	-0.1249

## Part XI Documents Available for Reference

- I. The financial statements with the signatures and stamps of the Company's legal representative, Chief Financial Officer and head of the financial department (equivalent to financial manager);
- II. The originals of all the Company's documents and announcements disclosed to the public via newspapers designated by the CSRC in the Reporting Period; and
- III. Other relevant materials.

The Board of Directors  
Konka Group Co., Ltd.  
30 August 2018