

Stock Code: 000016, 200016 Stock Name: Konka Group, Konka Group-B Announcement No. 2018-66

KONKA GROUP CO., LTD.

INTERIM REPORT 2018 (SUMMARY)

Part I Important Notes

This Summary is based on the full text of the 2018 Interim Report of Konka Group Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial condition and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Objections raised by any of the directors, supervisors or senior management against any contents in this Report or its summary:

Name	Office title	Objection and explanation of why

Statement of objection:

Except for the following directors, all the other directors attended in person the Board meeting for the review of this Report and its summary.

Name	Office title	Reason for not attending meeting in person	Proxy entrusted to attend the meeting

Independent auditor’s modified opinion:

Applicable Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

Applicable Not applicable

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

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

Applicable Not applicable

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.

Part II Key Corporate Information

1. Stock Profile

Stock name	Konka Group-A, Konka Group-B	Stock code	000016, 200016
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Wu Yongjun	Miao Leiqiang	
Office 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	
E-mail address	szkonka@konka.com	szkonka@konka.com	

2. 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%

3. Shareholders and Their Holdings on 30 June 2018

Unit: share

Number of ordinary shareholders	87,774	Number of preferred shareholders with resumed voting rights (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge or frozen	
					Status	Shares
OVERSEAS CHINESE TOWN ENTERPRISES CO., LTD	State-owned legal person	21.75%	523,746,932	0		
CITIC SECURITIES BROKERAGE (HONG KONG)	Foreign legal person	7.56%	182,100,202	0		

CO., LTD.						
HOLY TIME GROUP LIMITED	Foreign legal person	2.33%	56,039,500	0		
GUOYUAN SECURITIES BROKER (HK) CO., LTD.	Foreign legal person	2.25%	54,203,779	0		
GAOLING FUND,L.P.	Foreign legal person	2.19%	52,801,250	0		
WANG LEI	Domestic natural person	1.52%	36,715,300	0		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned legal person	0.94%	22,665,024	0		
NAM NGAI	Domestic natural person	0.90%	21,712,140	0		
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	Other	0.88%	21,145,380	0		
ZHANG XIAOYU	Domestic natural person	0.85%	20,476,618	0		
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.					
Shareholders conducting margin trading	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.					

4. 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.

5. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

6. 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 III Operating Performance Discussion and Analysis

(I) Business Overview of Reporting Period

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

No.

1. 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.

2. 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..

3. 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) Matters Related to Financial Reporting

1. Changes to Accounting Policies, Accounting Estimates or Measurement Methods Compared to Last Accounting Period

Applicable Not applicable

No such changes.

2. Retrospective Restatements due to Correction of Material Accounting Errors in Reporting Period

Applicable Not applicable

No such cases.

3. Changes to Scope of Consolidated Financial Statements Compared to Last Accounting Period

Applicable Not applicable

(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 Shenzhen Konka Investment Holding Co., Ltd. (a subsidiary of the Company) on 15 January 2018 with a registered capital of RMB100 million, of which Shenzhen Konka Investment Holding Co., Ltd. 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 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. 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.

(14) On 28 June 2018, the Company transferred its 5% interest in Anhui Kaikai Shijie E-commerce Co., Ltd. ("Kaikai Shijie") to Guangdong South Aishi Entertainment Technology Co., Ltd. through putting up the said interest for sale. After the transaction, the Company's stake in Kaikai Shijie is 46%, meaning that the Company's actual control over Kaikai Shijie has ceased. Therefore, Kaikai Shijie has been excluded from the Company's consolidated scope since 28 June 2018.

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