

**KONKA GROUP CO., LTD.**  
**FIRST QUARTER REPORT 2018**

**2018-27**

**April 2018**

## **Part I Important Notes**

**The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of Konka Group Co., Ltd. (inclusive of its consolidated subsidiaries, the “Company”; exclusive of its subsidiaries, the “Parent Company”, except where the context otherwise requires) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report.**

**All the Company’s Directors have attended the Board meeting for the review of this Report.**

**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.**

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

## Part II Key Corporate Information

### I Key Financial Information

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

Yes  No

	January-March 2018	January-March 2017	Change
Sales revenue (RMB)	7,773,238,729.83	4,686,318,957.34	65.87%
Net income attributable to shareholders of the listed company (RMB)	55,758,297.40	26,245,353.83	112.45%
Net income attributable to shareholders of the listed company before nonrecurring gains and losses (RMB)	-68,684,426.14	-18,772,884.12	-265.87%
Net cash flows from operating activities (RMB)	-1,019,365,516.72	-1,629,437,072.94	37.44%
Basic earnings per share (RMB/share)	0.0232	0.0109	112.84%
Diluted earnings per share (RMB/share)	0.0232	0.0109	112.84%
Weighted average return on equity (%)	0.70%	0.90%	-0.20%
	March 31, 2018	December 31, 2017	Change
Total assets (RMB)	23,501,965,507.75	23,558,735,469.78	-0.24%
Equity attributable to shareholders of the listed company (RMB)	8,059,777,898.53	7,994,145,476.61	0.82%

Nonrecurring gains and losses:

Applicable  Not applicable

Unit: RMB

Item	January-March 2018	Note
Gains and losses on disposal of non-current assets (inclusive of offset allowance for asset impairments)	63,391,159.53	
Government subsidies charged to current profit and 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 )	57,080,159.10	
Gains and losses on investment or asset management entrustments to other entities	21,676,523.58	
Gains and losses on changes in fair value of 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)	38,693,734.33	

Gains and losses on loan entrustment	235,966.96	
Non-operating income and expense other than above	17,047,430.35	
Less: Income tax effects	20,793,700.28	
Non-controlling interests effects (net of tax)	52,888,550.03	
Total	124,442,723.54	--

Explanation of why the Company classifies an item as a nonrecurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Nonrecurring Gains and Losses, or reclassifies any nonrecurring gain/loss item listed in the said explanatory announcement as a recurring gain/loss:

√ Applicable □ Not applicable

Item	Amount (RMB)	Reason
Tax refund of software	24,228,550.05	Government subsidies related to the Company's ordinary course of business and in line with the regulations of national policies at fixed quotas or amounts as per certain standards

## II Total Number of Shareholders and Top 10 Shareholders' Holdings at Period-End

### 1. Numbers of Common Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Common shareholders at period-end	84,394	Preferred shareholders with resumed voting rights at period-end (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage at period-end (%)	Shares	Restricted shares	Pledged or frozen shares	
					Status	Shares
OVERSEAS CHINESE TOWN ENTERPRISES CO.	State-owned juridical person	21.75%	523,746,932	0		
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	Foreign juridical person	7.56%	182,100,202	0		
HOLY TIME GROUP LIMITED	Foreign juridical person	2.33%	56,000,000	0		

GUOYUAN SECURITIES BROKER (HK) CO., LTD.	Foreign juridical person	2.27%	54,755,145	0		
GAOLING FUND,L.P.	Foreign juridical person	2.19%	52,801,250	0		
WANG LEI	Domestic natural person	1.47%	35,400,939	0		
ZHANG XIAOYU	Domestic natural person	1.08%	26,096,200	0		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned juridical person	0.97%	23,357,343	0		
NAM NGAI	Foreign natural person	0.90%	21,788,540	0		
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	Other	0.84%	20,216,860	0		

## Top 10 non-restricted shareholders

Name of shareholder	Non-restricted shares held at period-end	Type of shares	
		Type	Shares
OVERSEAS CHINESE TOWN ENTERPRISES CO.	523,746,932	RMB common stock	523,746,932
CITIC SECURITIES BROKERAGE (HONG KONG) CO., LTD.	182,100,202	Domestically listed stock for foreign investors	182,100,202
HOLY TIME GROUP LIMITED	56,000,000	Domestically listed stock for foreign investors	56,000,000
GUOYUAN SECURITIES BROKER (HK) CO., LTD.	54,755,145	Domestically listed stock for foreign investors	54,755,145
GAOLING FUND,L.P.	52,801,250	Domestically listed stock for foreign investors	52,801,250
WANG LEI	35,400,939	RMB common stock	35,400,939

ZHANG XIAOYU	26,096,200	RMB common stock	26,096,200
CHINA MERCHANTS SECURITIES (HK) LIMITED	23,357,343	Domestically listed stock for foreign investors	23,357,343
NAM NGAI	21,788,540	Domestically listed stock for foreign investors	21,788,540
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	20,216,860	RMB common stock	20,216,860
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 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 act-in-concert parties or not.		
Shareholders conducting securities margin trading (if any)	Wang Lei holds 35,400,939 A-shares in the Company through an account of collateral securities for margin trading in GF Securities Co., Ltd. Zhang Xiaoyu holds 26,096,200 A-shares in the Company through an account of collateral securities for margin trading in Huaxi Securities Co., Ltd.		

Indicate by tick mark whether any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea  No

No such cases in the Reporting Period.

## 2. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable  Not applicable

## Part III Significant Events

### I Changes in Selected Financial Statement Items and Explanation of why

√ Applicable □ Not applicable

(I) During the Reporting Period, in order to accelerate the shift in its business and profit models, the Company continued to work on the development models of “Hardware + Software”, “Terminals + Users” and “Technology + Holding”, as well as on the expansion guideline of “Technology + Industry + Urbanization”, by implementing strategies of “Promote High-End Orientation in Traditional Business”, “Capitalize Existing Business”, “Turn Traditional Plants into Industrial Parks” and “Integrate Technologies and Create Added Value”.

During the Reporting Period, the Company improved efficiency in its multi-media business through promoting corporatization and organizational reform. It also increased its product competitiveness and overall operating income through more investments in technological innovation, product development and content operation.

Driven by the fast growing new business, the Company is expected to record sales revenue of approximately RMB7.773billion in the first quarter of 2018, an around 65.87% rise compared to the first quarter of 2017.

The estimated influence of non-recurring gains and losses on the net income is about RMB124 million in the Reporting Period.

(II) Changes in Key Financial Indicators:

Unit: RMB'0,000 (in RMB ten thousand)

Item	March 31, 2018	December 31, 2017	Change	Change (%)	Explanation of why
Financial assets at fair value through profit or loss	71.73	29.68	42.05	141.68%	Changes in the fair value of forward foreign exchange contracts
Accounts receivable	425,034.28	344,309.59	80,724.69	23.45%	Increase in Sales revenue.
Item	January-March 2018	January-March 2017	Change	Change (%)	Explanation of why
Sales revenue	777,323.87	468,631.90	308,691.97	65.87%	Year-over-year increase in revenue from the supply chain management business
Cost of sales	714,481.34	402,314.94	312,166.40	77.59%	Year-over-year increase in costs in the supply chain management business
Gain on changes in fair value	3,414.22	-6,933.28	10,347.50	149.24%	Changes in the fair value of forward foreign exchange contracts

Non-operating expense	203.15	76.78	126.37	164.59%	Year-over-year increase in loss on disposal of property, plant and equipment
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## II Progress, Influence and Solutions Associated with Significant Events

√ Applicable □ Not applicable

I) Regarding the Kunshan-located Shuiyue Zhouzhuang real estate project, as approved at the 42<sup>nd</sup> Meeting of the 6<sup>th</sup> Board, the Company has won the bid for the use right of the land to the south of the Quanwang Road, Zhouzhuang Town, Kunshan City. Currently, Phase IV of this project is under construction, and partial sales are completed.

(II) In regard to the Konka Technological Innovation Center project, as approved at the 24<sup>th</sup> Meeting of the 8<sup>th</sup> Board, the Company entrusted Chuzhou Konka Technology & Industry Development Co., Ltd. (Chuzhou Konka TID) to build the center in Chuzhou Economic Development Zone. So far, the use right of a 45333 m<sup>2</sup> land has been obtained by Chuzhou Konka TID for this project, and it is formulating the development plan.

(III) Concerning the intended sale of certain properties in Shanghai, as approved at the 34<sup>th</sup> Meeting of the 8<sup>th</sup> Board, the Company intended to sell its three houses in Shanghai (Room 908, 1801 and 1807, 5 Lane 25, Huihe Road, Hongkou District) via an equity exchange. So far, the evaluation on these properties has been completed, and the Company is going through the transfer formalities as per the rules governing the transfer of state-owned assets.

(IV) About the multi-media subsidiary, as approved at the 37<sup>th</sup> Meeting of the 8<sup>th</sup> Board, the Company decided to set up a wholly-owned subsidiary to run the multi-media business covering color TVs, among others. So far, Shenzhen Konka Electronics Technology Co., Ltd. has been officially set up.

(V) As for the Yibin-located Konka Intelligent Terminal High-Tech Industrial Park project, as approved at the 37<sup>th</sup> Meeting of the 8<sup>th</sup> Board, the Company intended to establish the said industrial park at Yibin Lingang Economic and Technological Development Zone and relocate its intelligent terminal business including mobile phones to this industrial park. So far, the Company has established a subsidiary for this project and is waiting for the local government to put out the project land for bids.

Summary of significant event	Disclosure date	Index to related announcement
Dongguan Plant Renovation Project and New Dongguan Plant Project	March 11, 2017	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Completion of Transfer of Units of Qingsong Venture Capital Fund with Industrial and Commercial Administration	March 31, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Establishment of Business Combination Fund	April 18, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Increased Investment in Sanjiang Properties and Related-Party Transaction Rising therefrom	April 18, 2018	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

### III Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company and Other Commitment Makers, Failed to Fulfill on Time during Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

### IV Operating Result Forecast for January-June 2018

Warning of a forecast loss on or a forecast significant year-over-year change in net income for January-June 2018, as well as explanation of why:

Applicable  Not applicable

### V Securities Investments

Applicable  Not applicable

Variety of security	Symbol of security	Name of security	Initial investment cost (RMB)	Opening holding (share)	Opening holding percentage	Closing holding (share)	Closing holding percentage	Closing book value (RMB)	Gain/loss in Reporting Period (RMB)	Accounting title	Source
Stock	002915	ZXFC	1,459.61	227	0.00%	0	0.00%	0.00	6,893.99	Available-for-sale financial asset	Initial public offerings
Ditto	300730	KCX X	1,513.16	181	0.00%	0	0.00%	0.00	6,769.40	Ditto	Ditto
Ditto	002920	DSX W	12,537.88	614	0.00%	0	0.00%	0.00	13,882.54	Ditto	Ditto
Ditto	002919	MCJ K	1,406.72	112	0.00%	0	0.00%	0.00	3,308.48	Ditto	Ditto
Ditto	002922	YGE	3,462.39	279	0.00%	0	0.00%	0.00	6,004.08	Ditto	Ditto
Ditto	300735	GHK J	5,064.93	507	0.00%	0	0.00%	0.00	9,702.91	Ditto	Ditto
Ditto	300664	PYH B	5,026.08	0	0.00%	0	0.00%	0.00	8,642.82	Ditto	Ditto
Ditto	002923	RDG F	3,129.84	0	0.00%	0	0.00%	0.00	5,650.64	Ditto	Ditto
Ditto	300684	ZSK J	1,376.00	172	0.00%	0	0.00%	0.00	8,307.60	Ditto	Ditto
Ditto	300733	XLD L	5,160.00	0	0.00%	0	0.00%	0.00	6,840.00	Ditto	Ditto
Ditto	002925	YQK J	13,095.00	0	0.00%	0	0.00%	0.00	34,629.00	Ditto	Ditto

Other securities investments held at period-end	0.00	0	--	0	--	0.00	0.00	--	--
Total	53,231.61	2,092	--	0	--	0.00	110,631.46	--	--
Disclosure date of announcement on Board's consent for securities investment	N/A								
Disclosure date of announcement on shareholders' meeting's consent for securities investment (if any)	N/A								

## VI Investments in Derivative Financial Instruments

√ Applicable  Not applicable

Unit: RMB'0,000 (in RMB ten thousand)

Capital 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)	May 24, 2014
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	June 10, 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 (in RMB ten thousand)

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	85,319.52	2,133.33	10.59%

### **VII Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period**

Applicable  Not applicable

No such cases in the Reporting Period.

### **VIII Irregularities in Provision of Guarantees for External Parties**

Applicable  Not applicable

No such cases in the Reporting Period.

### **IX Occupation of the Company's Money by Its Controlling Shareholder or Related Parties for Non-Operating Purposes**

Applicable  Not applicable

No such cases in the Reporting Period.

## Part IV Financial Statements

### I Financial Statements

#### 1. Consolidated Balance Sheet

Prepared by Konka Group Co., Ltd.

March 31, 2018

Unit: RMB

Item	March 31, 2018	December 31, 2017
Current assets:		
Monetary assets	2,117,778,435.95	3,212,044,851.08
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	717,258.83	296,799.53
Derivative financial assets		
Notes receivable	5,055,795,872.09	5,178,668,988.23
Accounts receivable	4,250,342,804.16	3,443,095,947.26
Prepayments	535,176,019.76	467,123,091.74
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Interest receivable	1,372,365.15	1,813,256.77
Dividends receivable		
Other receivables	272,036,785.37	182,405,099.39
Financial assets purchased under resale agreements		
Inventories	4,579,475,103.24	4,690,363,565.53
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	1,988,929,615.46	1,715,326,868.81
Total current assets	18,801,624,260.01	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		
Long-term equity investments	1,335,317,343.74	1,319,987,343.74
Investment property	215,047,811.42	216,455,629.99
Property, plant and equipment	1,589,036,269.37	1,587,170,348.35
Construction in progress	140,555,936.41	135,863,821.01
Engineering materials		
Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	203,993,082.56	205,057,773.69
R&D expense		
Goodwill	3,597,657.15	3,597,657.15
Long-term prepaid expense	154,564,404.30	150,060,937.30
Deferred income tax assets	337,948,558.46	307,942,263.12
Other non-current assets	28,167,948.00	29,290,828.00
Total non-current assets	4,700,341,247.74	4,667,597,001.44
Total assets	23,501,965,507.75	23,558,735,469.78
Current liabilities:		
Short-term borrowings	7,094,776,142.17	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	13,760,747.13	47,482,470.50
Derivative financial liabilities		
Notes payable	568,225,276.62	541,175,312.09
Accounts payable	3,323,036,647.61	3,612,216,266.59
Advances from customers	710,996,014.05	640,510,784.17
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	193,833,901.36	291,370,297.67
Taxes payable	1,278,332,348.68	1,326,569,094.53
Interest payable	34,606,973.14	35,723,963.94
Dividends payable		

Other payables	1,626,459,597.43	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	394,871.76	374,358.99
Other current liabilities		
Total current liabilities	14,844,422,519.95	15,031,253,891.70
Non-current liabilities:		
Long-term borrowings	166,000,000.00	167,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables	41,025.69	61,538.46
Long-term payroll payable	12,312,017.04	13,361,821.86
Specific payables		
Provisions	1,552,310.49	6,181,865.10
Deferred income	134,208,522.11	130,049,911.87
Deferred income tax liabilities	26,044,725.18	12,636,633.40
Other non-current liabilities		
Total non-current liabilities	340,158,600.51	329,291,770.69
Total liabilities	15,184,581,120.46	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	13,571,583.47	3,697,458.95
Specific reserve		
Surplus reserves	1,217,644,874.79	1,217,644,874.79
General reserve		

Retained earnings	4,315,883,789.97	4,260,125,492.57
Total equity attributable to owners of Parent Company	8,059,777,898.53	7,994,145,476.61
Non-controlling interests	257,606,488.76	204,044,330.78
Total owners' equity	8,317,384,387.29	8,198,189,807.39
Total liabilities and owners' equity	23,501,965,507.75	23,558,735,469.78

Legal representative: Liu Fengxi

CFO: Li Chunlei

Head of the financial department: Feng Junxiu

## 2. Parent Company Balance Sheet

Unit: RMB

Item	March 31, 2018	December 31, 2017
Current assets:		
Monetary assets	734,187,293.95	1,760,838,390.83
Financial assets at fair value through profit or loss	717,258.83	296,799.53
Derivative financial assets		
Notes receivable	2,816,719,863.12	2,864,064,309.99
Accounts receivable	5,559,277,595.37	4,732,153,992.25
Prepayments	1,394,806,157.68	1,066,260,182.37
Interest receivable	57,364,215.13	23,894,771.88
Dividends receivable	203,670,000.00	2,690,276.72
Other receivables	4,640,090,018.36	4,314,882,334.26
Inventories	1,657,710,511.67	2,090,697,937.23
Assets classified as held for sale		
Current portion of non-current assets	100,000,000.00	100,000,000.00
Other current assets	1,662,409,701.81	1,547,454,872.74
Total current assets	18,826,952,615.92	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	2,868,044,424.45	2,649,074,424.45
Investment property	215,047,811.42	216,455,629.99
Property, plant and equipment	475,419,199.00	482,020,892.58
Construction in progress	112,209,457.15	79,927,345.88
Engineering materials		

Proceeds from disposal of property, plant and equipment		
Productive living assets		
Oil and gas assets		
Intangible assets	91,902,482.16	91,718,400.70
R&D expense		
Goodwill		
Long-term prepaid expense	73,730,479.55	78,305,555.97
Deferred income tax assets	299,354,801.03	279,324,511.96
Other non-current assets	20,000,000.00	20,000,000.00
Total non-current assets	4,718,320,891.09	4,459,438,997.86
Total assets	23,545,273,507.01	22,962,672,865.66
Current liabilities:		
Short-term borrowings	3,436,156,337.31	3,269,730,888.60
Financial liabilities at fair value through profit or loss	13,760,747.13	47,482,470.50
Derivative financial liabilities		
Notes payable	2,068,677,122.84	2,394,426,158.76
Accounts payable	6,756,231,381.01	6,167,204,323.22
Advances from customers	596,815,815.61	601,036,147.76
Payroll payable	117,014,504.66	163,066,135.71
Taxes payable	1,061,133,669.37	1,070,771,570.12
Interest payable	48,578,589.94	50,336,913.53
Dividends payable		
Other payables	1,980,154,534.60	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	16,078,522,702.47	15,632,127,621.79
Non-current liabilities:		
Long-term borrowings	166,000,000.00	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	91,099,996.06	94,590,560.82
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	258,652,306.55	267,772,425.92
Total liabilities	16,337,175,009.02	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	-1,970,304.62	-1,970,304.62
Specific reserve		
Surplus reserves	1,217,644,874.79	1,217,644,874.79
Retained earnings	3,472,953,356.60	3,327,627,676.56
Total owners' equity	7,208,098,497.99	7,062,772,817.95
Total liabilities and owners' equity	23,545,273,507.01	22,962,672,865.66

### 3. Consolidated Income Statement

Unit: RMB

Item	January-March 2018	January-March 2017
1. Operating revenue	7,773,238,729.83	4,686,318,957.34
Including: Sales revenue	7,773,238,729.83	4,686,318,957.34
Interest revenue		
Premium revenue		
Handling charge and commission revenue		
2. Cost of operating revenue	7,882,064,997.46	4,733,743,173.50
Including: Cost of sales	7,144,813,360.27	4,023,149,407.98
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	13,589,602.99	18,889,210.59
Selling expense	515,116,761.90	518,071,670.57
Administrative expense	162,232,118.05	135,856,678.53
Finance costs	61,086,438.88	42,775,464.29
Asset impairment losses	-14,773,284.63	-4,999,258.46
Add: Gain on changes in fair value (“-” for loss)	34,142,182.67	-69,332,778.97
Investment income (“-” for loss)	36,786,042.34	34,979,227.70
Including: Share of profit or loss of joint ventures and associates	6,970,000.00	
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)		
Other income	79,427,673.98	-
3. Operating income (“-” for loss)	41,529,631.36	-81,777,767.43
Add: Non-operating revenue	84,351,129.33	113,572,905.33
Less: Non-operating expense	2,031,498.28	767,810.90
4. Pretax income (“-” for loss)	123,849,262.41	31,027,327.00
Less: Income tax expense	19,428,807.03	5,067,406.90
5. Net income (“-” for net loss)	104,420,455.38	25,959,920.10
5.1 Net income from continuing operations (“-” for net loss)		
5.2 Net income from discontinued operations (“-” for net loss)		
Attributable to owners of Parent Company	55,758,297.40	26,245,353.83
Attributable to non-controlling interests	48,662,157.98	-285,433.73
6. Other comprehensive income, net of tax	9,213,157.17	2,713,427.50
Attributable to owners of Parent Company	9,874,124.52	2,650,263.36
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	9,874,124.52	2,650,263.36
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gains/Losses on changes in fair value of	-31,342.08	

available-for-sale financial assets		
6.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gains/losses on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	9,905,466.60	2,650,263.36
6.2.6 Other		
Attributable to non-controlling interests	-660,967.35	63,164.14
7. Total comprehensive income	113,633,612.55	28,673,347.60
Attributable to owners of Parent Company	65,632,421.92	28,895,617.19
Attributable to non-controlling interests	48,001,190.63	-222,269.59
8. Earnings per share		
8.1 Basic earnings per share	0.0232	0.0109
8.2 Diluted earnings per share	0.0232	0.0109

Legal representative: Liu Fengxi

CFO: Li Chunlei

Head of the financial department: Feng Junxiu

#### 4. Parent Company Income Statement

Unit: RMB

Item	January-March 2018	January-March 2017
1. Sales revenue	3,669,669,375.96	3,528,146,131.01
Less: Cost of sales	3,269,110,540.85	3,096,777,598.35
Taxes and surtaxes	7,177,383.09	5,965,647.75
Selling expense	378,868,998.55	384,384,952.78
Administrative expense	96,348,524.41	97,836,429.53
Finance costs	92,033,331.44	100,233,983.39
Asset impairment losses		
Add: Gain on changes in fair value (“-” for loss)	34,142,182.67	-34,248,996.77
Investment income (“-” for loss)	222,948,489.00	46,382,940.03
Including: Share of profit or loss of joint ventures and associates	6,970,000.00	
Asset disposal income (“-” for loss)		
Other income	29,928,292.31	-
2. Operating income (“-” for loss)	113,149,561.60	-144,918,537.53
Add: Non-operating revenue	13,919,212.26	58,888,782.88
Less: Non-operating expense	1,773,382.89	465,857.89
3. Pretax income (“-” for loss)	125,295,390.97	-86,495,612.54

Less: Income tax expense	-20,030,289.07	-21,258,680.23
4. Net income (“-” for net loss)	145,325,680.04	-65,236,932.31
4.1 Net income from continuing operations (“-” for net loss)		
4.2 Net income from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	5,222,526.42	
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	5,222,526.42	
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method		
5.2.2 Gains/Losses on changes in fair value of available-for-sale financial assets	4,296,185.76	
5.2.3 Gains/Losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gains/losses on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements	926,340.66	
5.2.6 Other		
6. Total comprehensive income	150,548,206.46	-65,236,932.31
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	January-March 2018	January-March 2017
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	5,754,785,966.74	3,504,876,874.27
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	168,573,547.32	102,339,410.87
Cash generated by other operating activities	172,592,473.35	118,039,119.57
Subtotal of cash generated by operating activities	6,095,951,987.41	3,725,255,404.71
Payments for commodities and services	6,072,157,862.54	4,440,141,644.59
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	481,603,150.56	458,532,563.30
Taxes paid	201,309,910.91	135,715,221.18
Cash used in other operating activities	360,246,580.12	320,303,048.58
Subtotal of cash used in operating activities	7,115,317,504.13	5,354,692,477.65
Net cash flows from operating activities	-1,019,365,516.72	-1,629,437,072.94
2. Cash generated by or used in investing activities:		
Proceeds from disinvestments	37,303,231.61	112,806.75
Investment income	27,461,877.60	30,385,376.69
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	26,132.00	78,346,069.28
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities	420,950,000.00	557,451,449.68
Subtotal of cash generated by investing activities	485,741,241.21	666,295,702.40
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	87,522,934.00	73,620,997.55
Payments for investments	8,378,256.00	4,157,113.94
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	623,480,000.00	285,575,000.00
Subtotal of cash used in investing activities	719,381,190.00	363,353,111.49

Net cash flows from investing activities	-233,639,948.79	302,942,590.91
3. Cash generated by or used in financing activities:		
Capital contributions received	26,400,000.00	265,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	26,400,000.00	265,000.00
Increase in borrowings obtained	2,430,850,602.39	2,238,876,860.00
Net proceeds from issuance of bonds		
Cash generated by other financing activities		444,080,082.06
Subtotal of cash generated by financing activities	2,457,250,602.39	2,683,221,942.06
Repayment of borrowings	2,184,187,298.05	1,143,869,292.69
Payments for interest and dividends	86,485,560.15	105,020,297.25
Including: Dividends paid by subsidiaries to non-controlling interests	672,569.18	461,972.51
Cash used in other financing activities		318,701.97
Subtotal of cash used in financing activities	2,270,672,858.20	1,249,208,291.91
Net cash flows from financing activities	186,577,744.19	1,434,013,650.15
4. Effect of foreign exchange rate changes on cash and cash equivalents	-42,957,026.83	5,263,241.18
5. Net increase in cash and cash equivalents	-1,109,384,748.15	112,782,409.30
Add: Cash and cash equivalents, beginning of the period	3,097,899,703.76	2,020,902,945.14
6. Cash and cash equivalents, end of the period	1,988,514,955.61	2,133,685,354.44

## 6. Parent Company Cash Flow Statement

Unit: RMB

Item	January-March 2018	January-March 2017
1. Cash generated by or used in operating activities:		
Proceeds from sale of commodities and rendering of services	4,460,261,836.82	4,295,329,683.99
Tax rebates	49,651,754.59	26,891,931.97
Cash generated by other operating activities	400,528,693.60	707,878,209.00
Subtotal of cash generated by operating activities	4,910,442,285.01	5,030,099,824.96
Payments for commodities and services	4,046,918,162.79	3,920,920,891.18
Cash paid to and for employees	308,420,198.90	276,264,044.77
Taxes paid	63,378,125.20	46,694,339.02
Cash used in other operating activities	1,120,437,119.07	1,124,083,766.45
Subtotal of cash used in operating activities	5,539,153,605.96	5,367,963,041.42
Net cash flows from operating activities	-628,711,320.95	-337,863,216.46
2. Cash generated by or used in investing activities:		

Proceeds from disinvestments		
Investment income	33,036,245.41	32,123,053.44
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-lived assets	26,132.00	98,058.25
Net proceeds from disposal of subsidiaries or other business units		
Cash generated by other investing activities	517,743,720.30	557,000,000.00
Subtotal of cash generated by investing activities	550,806,097.71	589,221,111.69
Payments for acquisition of property, plant and equipment, intangible assets and other long-lived assets	39,045,066.97	15,173,135.90
Payments for investments	212,000,000.00	40,000,000.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	692,763,165.04	333,255,000.00
Subtotal of cash used in investing activities	943,808,232.01	388,428,135.90
Net cash flows from investing activities	-393,002,134.30	200,792,975.79
3. Cash generated by or used in financing activities:		
Capital contributions received		
Increase in borrowings obtained	763,416,364.16	471,029,374.72
Net proceeds from issuance of bonds		
Cash generated by other financing activities		141,159,013.75
Subtotal of cash generated by financing activities	763,416,364.16	612,188,388.47
Repayment of borrowings	667,515,069.15	165,708,656.06
Payments for interest and dividends	81,697,528.08	101,133,666.93
Cash used in other financing activities		318,701.97
Sub-total of cash used in financing activities	749,212,597.23	267,161,024.96
Net cash flows from financing activities	14,203,766.93	345,027,363.51
4. Effect of foreign exchange rate changes on cash and cash equivalents	-19,141,408.56	7,947,240.71
5. Net increase in cash and cash equivalents	-1,026,651,096.88	215,904,363.55
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	716,618,847.79	1,189,518,116.95

## II Independent Auditor's Report

Indicate by tick mark whether the Q1 financial statements have been audited by an independent auditor.

Yes  No

The Q1 financial statements have not been audited by such an auditor.

The Board of Directors

Konka Group Co., Ltd.

April 27, 2018