

KONKA GROUP CO., LTD.

ANNUAL REPORT 2018

2019-22

March 2019

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 Board has approved a final dividend plan as follows: based on the 2,407,945,408 shares, a cash dividend of RMB1.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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
Konka E-display	Shenzhen Konka E-display Co., Ltd.
E-display Service	Shenzhen E-display Service Co., Ltd.
Kangqiao Easy Chain	Shenzhen Kangqiao Easy Chain Technology Co., Ltd.
Konka Ventures	Konka Ventures Development (Shenzhen) Co., Ltd.
Yantai Konka	Yantai Konka Healthcare Enterprise Service Co., Ltd.
Chengdu Konka Incubator	Chengdu Konka Incubator Management Co., Ltd.
Chengdu Anren	Chengdu Anren Konka Cultural and Creative Incubator Management Co., Ltd.
Konka Enterprise Service	Guiyang Konka Enterprise Service Co., Ltd.
Chuanghui Smart	Nanjing Chuanghui Smart Technology Co., Ltd.
Konka Enterprise Management	Guizhou Konka Enterprise Management Service Co., Ltd.
Yibin Konka Incubator	Yibin Konka Incubator Management Co., Ltd.
Cross-Border Technological Innovation	Shenzhen Konka Cross-Border Technological Innovation Service Co., Ltd.
Anhui Konka	Anhui Konka Electronic Co., Ltd.
Kangzhi Trade	Anhui Kangzhi Trade Co., Ltd.
Konka Factoring	Konka Factoring (Shenzhen) Co., Ltd.
Youshi Kangrong	Youshi Kangrong Culture Communication Co., Ltd.
Chuzhou Konka TID	Chuzhou Konka Technology & Industry Development Co., Ltd.
Konka Unifortune	Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.
Jiali International	Jiali International (Hong Kong) Limited
Wankaida	Shenzhen Wankaida Science and Technology Co., Ltd.
Dongguan Konka	Dongguan Konka Electronic Co., Ltd.
Telecommunication Technology	Shenzhen Konka Telecommunications Technology Co., Ltd.
Konka Electrical Appliances	Shenzhen Konka Electrical Appliances Co., Ltd.
Mudanjiang Appliances	Mudanjiang Arctic Ocean Appliances Co., Ltd.
Konka Europe	Konka (Europe) Co., Ltd.
Commercial System Technology	Shenzhen Konka Commercial System Technology Co., Ltd.
Konka Electrical Appliances	Shenzhen Konka Electrical Appliances Co., Ltd.

Konka Material	Hainan Konka Material Technology Co., Ltd.
Shushida Logistics	Shenzhen Shushida Logistics Service Co., Ltd.
Mobile Interconnection	Shenzhen Konka Mobile Interconnection Technology Co., Ltd.
Sichuan Konka	Sichuan Konka Smart terminal Technology Co., Ltd.
Anhui Tongchuang	Anhui Konka Tongchuang Electrical Appliances Co., Ltd.
Anhui Electrical Appliance	Anhui Konka Electrical Appliance Technology Co., Ltd.
Frestec Refrigeration	Henan Frestec Refrigeration Appliance Co., Ltd.
Frestec Electrical Appliances	Henan Frestec Electrical Appliances Co., Ltd.
Frestec Household Appliances	Henan Frestec Household Appliances Co., Ltd.
Konka Pengrun	Shenzhen Konka Pengrun Technology & Industry Co., Ltd.
Jiaxin Technology	Jiaxin Technology Co., Ltd.
E3info	E3info (Hainan) Technology Co., Ltd.
Yifang Technology	Shenzhen Konka Yifang Technology Co., Ltd.
Dongguan Packing	Dongguan Konka Packing Materials Co., Ltd.
E2info	Shenzhen E2info Network Technology Co., Ltd.
Beijing Konka Electronic	Beijing Konka Electronic Co., Ltd.
Konka Leasing	Tianjin Konka Leasing Co., Ltd.
Fittings Technology	Shenzhen Konka Electronic Fittings Technology Co., Ltd.
Boluo Konka Precision	Boluo Konka Precision Technology Co., Ltd.
Xiamen Dalong	Xiamen Dalong Trading Co., Ltd.
Boluo Konka	Boluo Konka PCB Co., Ltd.
Chongqing Qingjia	Chongqing Qingjia Electronics Co., Ltd.
Kunshan Kangsheng	Kunshan Kangsheng Investment Development Co., Ltd.
Kaikai Shijie	Anhui Kaikai Shijie E-commerce Co., Ltd.
Hong Kong Konka	Hong Kong Konka Co., Ltd.
Konka Electrical Appliances Investment	Konka Electrical Appliances Investment & Development Co., Ltd.
Chain Kingdom	Chain Kingdom Co., Limited
Chain Kingdom (Shenzhen)	Chain Kingdom (Shenzhen) Co., Limited
Plastic Products	Shenzhen Konka Plastic Products Co., Ltd.
Konka SmartTech	Konka SmartTech Limited
Kangjietong	Kangjietong (Hong Kong) Limited
Konka Electrical Appliances International Trading	Konka Electrical Appliances International Trading Co., Ltd.
Konka Investment	Shenzhen Konka Investment Holding Co., Ltd.
Yibin Konka Technology Park	Yibin Konka Technology Park Operation Co., Ltd.
Industrial New Town	Sichuan Konka Industrial New Town Development Co., Ltd.
Konka Capital	Shenzhen Konka Capital Equity Investment Management Co., Ltd.

Konka Suiyong	Konka Suiyong Investment (Shenzhen) Co., Ltd.
Hainan Technology	Hainan Konka Technology Industry Development Co., Ltd.
Kangquan Enterprise	Shenzhen Kangquan Enterprise Management Consulting Co., Ltd.
Electronics Technology	Shenzhen Konka Electronics Technology Co., Ltd.
XingDa HongYe	GuangDong XingDa HongYe Electronic Co., Ltd.
Shanghai Xinfeng	Shanghai Xinfeng Zhuoqun PCB Co., Ltd.
Zhongshan Zewei	Zhongshan Zewei Kechuang Investment Management Co., Ltd.
Nanjing Konka	Nanjing Konka Smart Technology Co., Ltd.
Anhui Zhilian	Anhui Konka Zhilian E-Commerce Co., Ltd.
Konka Huanjia	Konka Huanjia (Dalian) Environmental Technology Co., Ltd.
Shanghai Konka	Shanghai Konka Industrial Co., Ltd.
Chuzhou Kangyong	Chuzhou Kangyong Health Industry Development Co., Ltd.
Yantai Konka Industrial	Yantai Konka Industrial Co., Ltd.
Yantai Kangjin	Yantai Kangjin Technology Development Co., Ltd.
Shandong Kangxin	Shandong Kangxin Industrial Development Co., Ltd.
Econ Technology	Shandong Econ Technology Co., Ltd. (inclusive of its consolidated subsidiaries)
Jiangxi Konka	Jiangxi Konka New Material Technology Co., Ltd.
Xinfeng Microcrystalline	Jiangxi Xinfeng Microcrystalline Jade Co., Ltd.
Nano Crystallized Glass	Jiangxi Golden Phoenix Nano Crystallized Glass Co., Ltd.
Shenzhen Kangxinwei	Shenzhen Kangxinwei Semiconductor Co., Ltd.
Shenzhen Meixin	Shenzhen Meixin Semiconductor Technology Co., Ltd.
Hefei Kangxinwei	Hefei Kangxinwei Storage Technology Co., Ltd.
Shenzhen Nianhua	Shenzhen Nianhua Enterprise Management Co., Ltd.
Konka Eco-Development	Shenzhen Konka Eco-Development Investment Co., Ltd.
Konka Ronghe	Konka Ronghe Industrial Technology (Foshan) Co., Ltd.
Suining Konka Industrial Park	Suining Konka Industrial Park Development Co., Ltd.
Kangjiatong	Sichuan Kangjiatong Supply Chain Management Co., Ltd.
Konka Suyuan	Shenzhen Konka Suyuan Investment Industrial 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.	康佳集团		
Company name in English (if any)	KONKA GROUP CO.,LTD		
Abbr. (if any)	KONKA GROUP		
Legal representative	Liu Fengxi		
Registered address	15-24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China		
Zip code	518057		
Office address	15-24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China		
Zip code	518057		
Company website	www.konka.com		
Email address	szkonka@konka.com		

II Contact Information

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

III Media for Information Disclosure and Place where this Report Is Lodged

Newspapers designated by the Company for information disclosure	Securities Times, etc.
-----------------------------------------------------------------	------------------------

Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn/new/index
Place where this Report is lodged	Board Secretariat, 24/F, Konka R&D Center, 28 Keji South Twelfth Road, Science and Technology Park, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province, China

IV Change to Company Registered Information

Unified social credit code	914403006188155783
Change to principal activity of the Company since going public (if any)	Supply chain management and environmental protection operations have been added to the principal activities of the Company.
Every change of controlling shareholder since incorporation (if any)	No change

V Other Information

The independent audit firm hired by the Company:

Name	Ruihua Certified Public Accountants (LLP)
Office address	9F, West Tower, China Overseas Property Plaza, Building No. 7, Compound No. 8, Xibinhe Road, Yongding Men, Dongcheng District, Beijing, P.R.C.
Accountants writing signatures	Liu Jianhua, Shen Lingzhi

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

VI Key Financial Information

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

Yes No

	2018	2017	2018-over-2017 change (%)	2016
Operating revenue (RMB)	46,126,797,341.33	31,227,763,249.71	47.71%	20,299,348,136.21
Net profit attributable to the listed company's shareholders (RMB)	411,289,744.68	5,057,025,155.71	-91.87%	95,673,028.03

Net profit attributable to the listed company's shareholders before exceptional items (RMB)	-795,400,491.44	-97,284,945.83	-717.60%	-283,460,349.24
Net cash generated from/used in operating activities (RMB)	-3,229,823,872.66	-4,314,257,622.47	25.14%	-972,135,787.43
Basic earnings per share (RMB/share)	0.1708	2.1001	-91.87%	0.0397
Diluted earnings per share (RMB/share)	0.1708	2.1001	-91.87%	0.0397
Weighted average return on equity (%)	5.11%	63.26%	-58.15%	3.35%
	31 December 2018	31 December 2017	Change of 31 December 2018 over 31 December 2017 (%)	31 December 2016
Total assets (RMB)	32,985,061,889.03	23,558,735,469.78	40.01%	17,243,119,597.97
Equity attributable to the listed company's shareholders (RMB)	8,104,736,790.53	7,994,145,476.61	1.38%	2,901,481,607.04

VII 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 under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

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

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	7,773,238,729.83	9,852,176,039.99	12,136,315,129.29	16,365,067,442.22

Net profit attributable to the listed company's shareholders	55,758,297.40	286,034,741.63	88,041,649.48	-18,544,943.83
Net profit attributable to the listed company's shareholders before exceptional items	-68,684,426.14	-232,186,186.66	-202,316,654.64	-292,213,224.00
Net cash generated from/used in operating activities	-1,019,365,516.72	-818,793,189.14	-1,058,825,594.70	-332,839,572.10

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2018	2017	2016	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	732,818,574.90	6,470,215,253.82	242,932,907.65	
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 the government's uniform standards)	259,609,022.27	178,372,701.34	113,350,808.96	
Gain equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	220,045,229.63			
Gain or loss on assets entrusted to other entities for investment or management	182,022,653.32	70,070,846.08	70,849,063.30	
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)	39,542,461.74	-63,931,276.14	17,953,552.28	

Gain or loss on loan entrustments	1,389,042.48	808,737.50	707,777.79	
Non-operating income and expense other than the above	73,907,331.00	41,449,367.77	22,934,301.50	
Other gains and losses that meet the definition of exceptional gain/loss	17,974,523.98	87,640,651.87	168,175.52	
Less: Income tax effects	253,497,204.45	1,603,618,658.08	78,609,375.35	
Non-controlling interests effects (net of tax)	67,121,398.75	26,697,522.62	11,153,834.38	
Total	1,206,690,236.12	5,154,310,101.54	379,133,377.27	--

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 involved (RMB)	Reason
Tax rebates on software	64,656,609.96	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 Principal Activity of the Company in the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

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, recycling of renewable resources and the new material of glass ceramic. Water engineering PPP (Public-Private Partnership) projects are undertaken under BOT (Build-Operate-Transfer) or EPC (Energy Performance Contracting) models. Renewable resources are collected, sorted, processed, distributed and sold. And glass ceramic products are developed, produced and marketed.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Equity assets	Equity investments at the end of the Reporting Period rose 99.83% compared to the beginning amount, primarily driven by the shift of Anhui Kaikai Shijie E-commerce Co., Ltd. and Kunshan Kangsheng Investment Development Co., Ltd. from consolidated subsidiaries to long-term equity investments measured at the equity method, as well as

	by new equity investments in associates.
Fixed assets	Fixed assets at the end of the Reporting Period rose 51.86% compared to the beginning amount, primarily driven by the fixed assets of the newly acquired subsidiaries.
Intangible assets	Intangible assets at the end of the Reporting Period rose 259.79% 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., GuangDong XingDa HongYe Electronic Co., Ltd. and Jiangxi Konka New Material Technology Co., Ltd. (formerly known as “Jiujiang Golden Phoenix Decoration Material Co., Ltd.”) in the Current Period.
Construction in progress	Construction in progress at the end of the Reporting Period rose 1502.25% compared to the beginning amount, primarily driven by the construction in progress of the newly acquired subsidiaries.
Goodwill	Goodwill at the end of the Reporting Period rose 23,684.69% compared to the beginning amount, primarily driven by the Company’s acquisitions of a 51% interest in Shandong Econ Technology Co., Ltd., GuangDong XingDa HongYe Electronic Co., Ltd. and Jiangxi Konka New Material Technology Co., Ltd. in the Current Period.

2. Major Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

Is the Company subject to any industry-specific disclosure requirements?

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) Key Operating Results of the Reporting Period

For 2018, the Company recorded operating revenue of RMB46.127 billion, up 47.71% year-on-year. Net profit attributable to the listed company's shareholders stood at RMB0.411 billion, representing a year-on-year drop, as there was no such income during the Reporting Period as the large-amount exceptional gain from the transfer of a 70% interest in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd. in 2017. Excluding the gain from the transfer of the 70% interest in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd., net profit attributable to the listed company's shareholders in 2018 rose 22.56% as compared to 2017. What the Company has accomplished in 2018 is summarized as follows:

1. Formulated and promoted the new development strategy oriented by transformation and upgrading

In 2018, the Company formulated and promoted the implementation of the new development strategy oriented by transformation and upgrading, defined the core positioning of a platform company driven by scientific and technological innovation and persisted in the development orientation of "Technology + Industry + Park" and the development mode of "Hardware + Software", "Terminals + Users" and "Technology + Holding". With reform, transformation and upgrading as its strategies, the Company strove to establish four major business groups, including Industrial Product Business Group, Technology Park Business Group, Platform Service Business Group and Investment and Finance Business Group. So far, the Company has gradually realized the implementation of the transformation and upgrading strategy.

2. Further promoted the mixed-ownership reform

In 2018, the Company promoted the mode of mixed-ownership reform in its four major business groups. The reform was carried out on 17 subsidiaries at all levels throughout the year. In particular, Shenzhen E2info Network Technology Co., Ltd., a holding subsidiary of the Company engaged in the business of Internet user operations, introduced Alibaba (China) Technology Co., Ltd. (holding 3.3898% of the shares). According to the agreement, Alibaba would increase its shareholding of E2info through capital increase, with the ultimate shareholding proportion restricted within 5%; Anhui Kaikai Shijie E-commerce Co., Ltd., a former holding subsidiary engaged in the operations of KKTv color TV set business has introduced Guangdong South Aishi Entertainment Technology Co., Ltd. (holding 10% of the shares) and Alibaba (China) Technology Co., Ltd. (holding 3.3898%

of the shares), which is good for promoting the strategic upgrading and rapid development of the Company's Internet business. In addition, the Company diverted its multimedia business such as color TV set to Shenzhen Konka Electronics Technology Co., Ltd. to facilitate the operations of such business by an independent company, laying a foundation for introducing external resources for related businesses and implementing the mixed-ownership reform.

3. Carried out industrial layout and the implementation of new businesses

In 2018, the Company formed an industrial layout consisting four major business groups step by step, including Industrial Product Business Group, Technology Park Business Group, Platform Service Business Group and Investment and Finance Business Group, and made great efforts in driving the expansion and implementation of new businesses: First, the Company acquired 51% of the equity of Econ Technology, a company engaged in comprehensive water management and was consecutively awarded with a series of comprehensive water management projects. Furthermore, the renewable resource treatment business saw a rapid development. Second, the Company acquired 51% of the equity of Jiangxi Konka New Material Technology Co., Ltd., a national hi-tech enterprise engaged in the production of glass ceramic material. Third, the Company completed the overall design and strategic planning for semiconductor business, defined the product orientation for the business and introduced relevant technologies and management teams.

4. Accomplished the implementation of multiple technology parks

Technology park business is an important carrier of the development mode of "Technology + Industry + Park". In 2018, the Company made efforts and established the following three business segments by integrating internal and external resources, i.e. headquarters economy, technology parks and logistics parks: Headquarters economy was implemented in Jiangbei New District (Nanjing), the Economic Development Zone (Chuzhou) and Guangming New District (Shenzhen); technology parks were constructed in Suining, Yibin and Chuzhou respectively; logistics parks were implemented in Kunshan (Jiangsu) and other cities, laying a solid foundation for the next step of business development.

5. Acquired Frestec to expand white goods business

In June 2018, the Company acquired 100% of the equity of Henan Frestec Electrical Appliances Co., Ltd., Henan Frestec Refrigeration Appliance Co., Ltd. and Henan Frestec Household Appliances Co., Ltd. at RMB 455 million yuan through Anhui Konka Electrical Appliance Technology Co., Ltd., and restored the production of Frestec within two months. The acquisition will help the Company to rapidly expand the industrial scale in the field of white goods, form a framework of synergistic development of "Konka + Frestec" and make the Company's white goods business bigger and stronger.

6. Increased R&D investment and promoted technological innovation

While promoting mechanism and system reforms, the Company continued to increase investment in

R&D and technological innovation, which has produced positive results. The Company has recently received the National Grade II Prize of Science and Technology Progress for the project of *Digital TV Broadcast System and Domestic Production of Core Chips*. Additionally, it successfully developed the “8K decode chip” with proprietary intellectual property rights and launched a series of industrial leading products such as OLED TV, AI face recognition TV, semiconductor display TV, wallpaper TV and “K-Fresh” fridges. Meanwhile, the Company was proactively planning the new smart household model. It built a system based on “cloud to cloud interconnection” jointly with third-party platforms including China Mobile and Amazon with a continuous extension from intelligent products to smart household scenarios.

(II) Business Highlights for 2018

1. Multimedia business

In 2018, the Company further optimized the structure of its color TV business, with a year-on-year increase of 33% in the sales volume of overseas business. Second, the Company proactively promoted the mechanism reform in color TV business, such as the independent corporate operations of color TV, channel model reforms and ownership reforms for sales branches. Finally, the Company kept reinforcing innovation-driven for color TV business, increased R&D investment to further enhance the technological innovation level and took the lead in launching 8K decode chips with proprietary intellectual property rights as well as remote voice and face recognition.

2. White goods business

In 2018, the scale of white goods business (including Frestec) achieved a growth of 22.46%, especially e-commerce business, which increased by 33% from the previous year; in addition, the Company acquired Frestec Electrical Appliances and quickly completed reorganization, which enabled the dual-brand operations of “Konka + Frestec” and synergy of multiple categories and played a significant role in driving the rapid expansion of the Company’s industrial scale in the field of white goods and enhancing the profitability and market competitiveness of white goods business.

3. Environmental protection business

In terms of comprehensive water management, in 2018, the Company was awarded with a total of eight environmental protection projects in Donggang (Liaoning), Weifang (Shandong) and Laizhou (Shandong) and the amount of awarded contracts reached nearly RMB 8 billion yuan; in respect of renewable resources, the Company made plans for the recycling and processing for reuse of waste paper, scrap metal and waste plastics; in terms of new materials, the Company established strategies in the new material of glass ceramic.

4. Semiconductor business

In 2018, the Company completed the overall design and strategic planning for semiconductor business, defined the product orientation for the business and introduced relevant technologies and management teams.

5. Mobile Internet business

In 2018, in terms of mobile Internet business, the Company completed relocation of the integrated business to Yibin, Sichuan, and started the exploration and transformation from mobile phone manufacturer to a provider of integrated solutions of intelligent terminals.

6. Technology park business

In 2018, the Company vigorously developed the technology park business with industrial development at its core and park development as the carrier by means of equity investment. It implemented a number of projects, including Phase I & II of the Konka Chuzhou Technological Innovation Centre, Yibin Konka Smart Terminals Industrial Park, Chuzhou Konka Smart Appliances and Equipment Industrial Park, Nanjing K-Star Cloud Network Headquarters and Suining Konka Electronic Technology Industrial Park to support the transformation and upgrading of the Company's development mode.

7. Supply chain management business

In 2018, the Company achieved a year-on-year increase of 107.65% in the operating revenue from supply chain management business. Furthermore, it was selected on the list of "National Supply Chain Innovation and Application Pilot Enterprises" through continuous upgrading of business model and enhancement of risk control.

8. Internet business

In respect of Internet business, in 2018, the Company introduced Alibaba (China) Technology Co., Ltd. as a strategic investor, with the total number of users reaching 36 million. With a considerable increase in user value and profitability, the Company experienced stable growth in profits and marked improvement in operating quality while achieving a substantial increase in revenue.

9. Investment business

In 2018, the Company invested in Econ Technology and Jiangxi Konka New Material Technology Co., Ltd., accomplishing the layout in the new businesses of environmental protection, semiconductors and new materials and promoting the rapid development of the Company.

10. Venture capital business

In 2018, the Company accomplished global layout for its venture capital business. In respect of domestic market, the Company set up eight incubators in seven cities such as Shenzhen, Yantai, Chengdu and Yibin. In terms of overseas market, the Company established six incubators in six cities such as Silicon Valley, Chicago, London and Helsinki. The newly formed incubation network covering the globe has powerfully enhanced the Company's influence in science and technology innovation field.

II Core Business Analysis

(I) Overview

See “I Overview” above.

(II) Revenue and Cost Analysis

1. Breakdown of Operating Revenue

Unit: RMB

	2018		2017		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	46,126,797,341.33	100%	31,227,763,249.71	100%	47.71%
By operating division					
Electronics	13,170,227,703.47	28.55%	16,148,586,075.45	51.71%	-18.44%
Supply chain management	28,348,817,442.89	61.46%	13,652,512,654.75	43.72%	107.65%
Environmental protection	3,020,514,260.13	6.55%	0.00	0.00%	
Other	1,587,237,934.84	3.44%	1,426,664,519.51	4.57%	11.26%
By product category					
Colour TVs	9,892,486,636.93	21.45%	11,994,950,476.66	38.41%	-17.53%
Mobile phones	331,298,592.29	0.72%	918,711,012.38	2.94%	-63.94%
White goods	2,127,731,143.29	4.61%	1,737,464,511.08	5.56%	22.46%
Supply chain management	28,348,817,442.89	61.46%	13,652,512,654.75	43.72%	107.65%
Environmental protection	3,020,514,260.13	6.55%	0.00	0.00%	
Other	2,405,949,265.80	5.22%	2,924,124,594.84	9.36%	-17.72%
By operating segment					
Domestic	16,868,143,462.93	36.57%	16,031,740,206.40	51.34%	5.22%
Overseas	29,258,653,878.40	63.43%	15,196,023,043.31	48.66%	92.54%

2. Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

√ Applicable □ Not applicable

Is the Company subject to any industry-specific disclosure requirements?

No.

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	13,170,227,703.47	11,258,550,192.17	14.52%	-18.44%	-14.34%	-4.10%
Supply chain management	28,348,817,442.89	28,068,819,224.05	0.99%	107.65%	107.90%	-0.12%
By product category						
Colour TVs	9,892,486,636.93	8,689,731,404.20	12.16%	-17.53%	-13.64%	-3.95%
Supply chain management	28,348,817,442.89	28,068,819,224.05	0.99%	107.65%	107.90%	-0.12%
By operating segment						
Domestic	16,868,143,462.93	14,643,866,818.13	13.19%	5.22%	7.12%	-1.54%
Overseas	29,258,653,878.40	28,583,747,096.32	2.31%	92.54%	102.46%	-4.79%

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

Applicable Not applicable

3. Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes No

Operating division	Item	Unit	2018	2017	Change (%)
Electronics	Unit sales	0,000 units	1,232	1,291	-4.57%
	Output	0,000 units	1,063	1,091	-2.57%
	Inventory	0,000 units	129	135	-4.44%

Any over 30% YoY movements in the data above and why:

Applicable Not applicable

4. Execution Progress of Major Signed Sales Contracts in the Reporting Period

Applicable Not applicable

5. Breakdown of Cost of Sales

By product category

Unit: RMB

Product category	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Color TVs	Color TVs	8,689,731,404.20	20.10%	10,062,760,446.56	36.21%	-13.64%
Mobile phones	Mobile phones	327,425,343.91	0.76%	827,228,372.16	2.98%	-60.42%
White goods	White goods	1,767,282,597.98	4.09%	1,404,308,959.94	5.05%	25.85%
Supply chain services	Supply chain services	28,068,819,224.05	64.93%	13,501,073,391.55	48.58%	107.90%
Environmental protection	Environmental protection	2,634,491,782.63	6.09%	0.00	0.00%	
Other	Other	1,739,863,561.68	4.02%	1,993,614,109.59	7.17%	-12.73%

Note:

N/A

6. Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes No

Company name	Registered capital (RMB'0,000)	The Company's interest (%)	Date of change	Reason for change
Econ Technology (and its subsidiaries)	16,400.00	51.00	2018-5-4	Added to the consolidated financial statements due to acquisition
Henan Frestec Refrigeration Appliance Co., Ltd.	12,305.11	51.00	2018-8-3	
Henan Frestec Household Appliances Co., Ltd.	9,900.00	51.00	2018-8-3	
Henan Frestec Electrical Appliances Co., Ltd.	66,863.77	51.00	2018-8-3	
GuangDong XingDa HongYe Electronic Co., Ltd. (inclusive of its subsidiaries)	8,889.00	51.00	2018-6-29	
Jiangxi Konka New Material Technology Co., Ltd. (inclusive of its subsidiaries)	27,272.7273	51.00	2018-8-16	
Chengdu Konka Incubator Management Co., Ltd.	500.00	51.00	2018-2-5	Added to the consolidated financial statements due to
Chengdu Anren Konka Cultural and Creative Incubator Management Co., Ltd.	500.00	51.00	2018-8-16	
Guiyang Konka Enterprise Service Co., Ltd.	500.00	51.00	2018-9-5	

Nanjing Chuanghui Smart Technology Co., Ltd.	100.00	40.80	2018-7-26
Guizhou Konka Enterprise Management Service Co., Ltd.	500.00	51.00	2018-11-8
Yibin Konka Incubator Management Co., Ltd.	2,000.00	51.00	2018-10-18
Shenzhen Konka Cross-Border Technological Innovation Service Co., Ltd.	100.00	26.01	2018-11-21
Jiali International (Hong Kong) Limited	HKD500.00	51.00	2018-2-2
Sichuan Konka Smart terminal Technology Co., Ltd	10,000.00	51.00	2018-1-15
Anhui Konka Electrical Appliance Technology Co., Ltd.	10,000.00	51.00	2018-6-12
Jiixin Technology Co., Ltd.	HKD1,000.00	51.00	2018-1-25
Shenzhen Konka Yifang Technology Co., Ltd.	1,000.00	60.00	2018-12-3
Kangjietong (Hong Kong) Limited	HKD100.00	51.00	2018-1-9
Yibin Konka Technology Park Operation Co., Ltd.	10,000.00	100.00	2018-1-15
Sichuan Konka Industrial New Town Development Co., Ltd.	10,000.00	51.00	2018-3-7
Konka Suiyong Investment (Shenzhen) Co., Ltd.	5,000.00	51.00	2018-5-11
Hainan Konka Technology Industry Development Co., Ltd.	10,000.00	51.00	2018-8-9
Shenzhen Kangquan Enterprise Management Consulting Co., Ltd.	1,000.00	51.00	2018-6-26
Shenzhen Konka Electronics Technology Co., Ltd.	100,000.00	100.00	2018-1-16
Nanjing Konka Smart Technology Co., Ltd.	5,000.00	100.00	2018-12-28
Anhui Konka Zhilian E-Commerce Co., Ltd.	5,000.00	100.00	2018-9-20
Konka Huanjia (Dalian) Environmental Technology Co., Ltd.	18,000.00	51.00	2018-6-6
Shanghai Konka Industrial Co., Ltd.	10,000.00	100.00	2018-4-11
Chuzhou Kangyong Health Industry Development Co., Ltd.	5,000.00	100.00	2018-7-18
Yantai Konka Industrial Co., Ltd.	10,000.00	89.71	2018-9-5
Yantai Kangjin Technology Development Co., Ltd.	10,000.00	62.80	2018-9-7
Shandong Kangxin Industrial Development Co., Ltd.	10,000.00	51.00	2018-12-7
Shenzhen Kangxinwei Semiconductor Co., Ltd.	10,000.00	100.00	2018-10-19

Shenzhen Meixin Semiconductor Technology Co., Ltd.	1,000.00	51.00	2018-10-31	
Hefei Kangxinwei Storage Technology Co., Ltd.	5,000.00	51.00	2018-11-7	
Shenzhen Nianhua Enterprise Management Co., Ltd.	3,000.00	100.00	2018-8-22	
Shenzhen Konka Eco-Development Investment Co., Ltd.	500.00	51.00	2018-12-27	
Konka Ronghe Industrial Technology (Foshan) Co., Ltd.	5,000.00	51.00	2018-12-26	
Suining Konka Industrial Park Development Co., Ltd.	20,000.00	100.00	2018-12-26	
Sichuan Kangjiatong Supply Chain Management Co., Ltd.	3,000.00	51.00	2018-3-26	
Shenzhen Konka Suyuan Investment Industrial Co., Ltd.	1,000.00	51.00	2018-2-5	
Anhui Kaikai Shijie E-commerce Co., Ltd.	3,137.2549	46.00	2018-6-28	Excluded from the consolidated financial statements due to equity transfer
Kunshan Kangsheng Investment Development Co., Ltd.	35,000.00	49.00	2018-06-25	
Shenzhen Konka Supply Chain Management Holdings Co., Ltd.	1,000.00	100.00	2018-10-15	Excluded from the consolidated financial statements due to de-registration
Shenzhen Konka Plastic Products Co., Ltd.	950.00	100.00		
Chongqing Qingjia Electronics Co., Ltd.	1,500.00	40.00	2018-10-25	As Regent Sky Holdings Limited entrusted its 20% voting right in Chongqing Qingjia to Chongqing Machinery & Electronics Holding (Group) Co., Ltd. for management, the Company ceased its control over Chongqing Qingjia and excluded it from the Company's consolidated financial statements.

7. Major Changes to the Business Scope or Product or Service Range in the Reporting Period

Applicable Not applicable

In 2018, the Company entered the environmental protection industry through the acquisition of Shandong Econ Technology Co., Ltd. and Jiangxi Konka New Material Technology Co., Ltd.

8. Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	13,375,164,153.90
Total sales to top five customers as % of total sales of the Reporting Period (%)	29.00%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	3,737,481,105.58	8.10%
2	Customer B	3,595,163,483.38	7.79%
3	Customer C	2,613,661,736.46	5.67%
4	Customer D	1,785,310,036.98	3.87%
5	Customer E	1,643,547,791.50	3.56%
Total	--	13,375,164,153.90	29.00%

Other information about major customers:

Applicable Not applicable

None of the top five customers were related parties of the Company. And none of the Company's directors, supervisors, executive officers, core technicians, over5% shareholders, actual controller or any other related parties held equity interests in the major customers, directly or indirectly.

Major suppliers:

Total purchases from top five suppliers (RMB)	14,800,491,686.75
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	33.46%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
-----	----------	----------------------------------------	-----------------------------

1	Supplier 1	4,859,389,472.98	10.99%
2	Supplier 2	4,697,048,055.43	10.62%
3	Supplier 3	2,246,973,758.27	5.08%
4	Supplier 4	1,642,707,211.56	3.71%
5	Supplier 5	1,354,373,188.51	3.06%
Total	--	14,800,491,686.75	33.46%

Other information about major suppliers:

√ Applicable □ Not applicable

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

3. Expense

Unit: RMB

	2018	2017	Change (%)	Reason for any significant change
Selling expense	2,282,174,241.64	2,141,993,558.11	6.54%	
Administrative expense	641,892,996.18	448,036,697.96	43.27%	Increase in R&D expense due to increase in expense of subsidiaries newly merged and increase in labor cost
Finance costs	399,165,814.39	340,918,550.61	17.09%	
R&D expense	396,460,145.24	329,676,982.50	20.26%	Increasing R&D investment

4. R&D Expense

√ Applicable □ Not applicable

In the Reporting Period, the Company continued to enhance the R&D input and tried to lay a solid foundation for it to carry out product differentiation through constantly developing new products, studying new techniques, altering the existing equipment and continuously enriching the product varieties and series. Meanwhile, it constantly carried out technical innovation and encouraged suggestions to increase its production efficiency and core competitiveness. In addition, the Company won the second prize of National Scientific and Technological Progress Award in the project of Localization of Digital TV & Broadcasting System and Core Chips the Company participated in recently.

Details about R&D expense:

	2018	2017	Change (%)
Number of R&D personnel	1,467	1,353	8.43%
R&D personnel as % of total employees	7.74%	7.59%	0.15%
R&D expense (RMB)	396,460,145.24	329,676,982.50	20.26%

R&D expense as % of operating revenue	0.86%	1.06%	-0.20%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2018	2017	Change (%)
Subtotal of cash generated from operating activities	50,553,979,675.62	40,942,886,533.13	23.47%
Subtotal of cash used in operating activities	53,783,803,548.28	45,257,144,155.60	18.84%
Net cash generated from/used in operating activities	-3,229,823,872.66	-4,314,257,622.47	25.14%
Subtotal of cash generated from investing activities	2,900,532,752.51	9,053,115,239.75	-67.96%
Subtotal of cash used in investing activities	5,152,413,759.55	4,323,599,750.38	19.17%
Net cash generated from/used in investing activities	-2,251,881,007.04	4,729,515,489.37	-147.61%
Subtotal of cash generated from financing activities	15,345,431,150.38	10,526,601,766.42	45.78%
Subtotal of cash used in financing activities	9,548,537,823.66	9,779,757,140.80	-2.36%
Net cash generated from/used in financing activities	5,796,893,326.72	746,844,625.62	676.18%
Net increase in cash and cash equivalents	336,249,777.96	1,076,996,758.62	-68.78%

Explanation of why any of the data above varies significantly:

Applicable Not applicable

The net cash generated from/used in investing activities was negative due to the subsidiaries newly merged such as Guangdong Xingda Hongye Electronics Co., Ltd. and joint-stock companies newly added such as Shenzhen RF-LINK Polytron Technologies Inc. in the Reporting Period.

The net cash generated from/used in financing activities increased due to the increase in borrowings of the Company during the Reporting Period.

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

Reporting Period

□ Applicable √ Not applicable

III Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of total profit	Source/Reason	Exceptional or recurrent
Investment income	927,414,370.96	203.87%	Transfer of some equity in Kaikai Shijie and Kunshan Kangsheng	Exceptional
Gain/loss on changes in fair value	50,191,052.64	11.03%		Exceptional
Asset impairments	226,869,220.67	49.87%		Exceptional
Non-operating income	328,696,140.09	72.26%		Tax rebates of software is recurrent and others are uncertain
Non-operating expense	8,037,851.90	1.77%		Exceptional

IV Analysis of Assets and Liabilities**1. Significant Changes in Asset Composition**

Unit: RMB

	31 December 2018		31 December 2017		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	4,348,144,129.53	13.18%	3,212,044,851.08	13.63%	-0.45%	
Accounts receivable	4,458,053,586.42	13.52%	3,443,095,947.26	14.61%	-1.10%	
Inventories	5,487,605,227.05	16.64%	4,690,363,565.53	19.91%	-3.27%	
Investment property	210,824,355.72	0.64%	216,455,629.99	0.92%	-0.28%	
Long-term equity investments	2,637,780,825.53	8.00%	1,319,987,343.74	5.60%	2.39%	
Fixed assets	2,410,226,495.81	7.31%	1,587,170,348.35	6.74%	0.57%	
Construction in progress	2,176,871,530.80	6.60%	135,863,821.01	0.58%	6.02%	
Short-term	13,884,132,931.63	42.09%	6,927,472,037.35	29.41%	12.69%	

borrowings						
Long-term borrowings	445,000,000.00	1.35%	167,000,000.00	0.71%	0.64%	

2. Assets and Liabilities at Fair Value

Applicable Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
1. Financial assets at fair value through profit or loss (derivative financial assets excluded)	296,799.53	5,168,185.39					5,464,984.92
3. Available-for-sale financial assets	58,162.76					58,162.76	
Subtotal of financial assets	354,962.29	5,168,185.39				58,162.76	5,464,984.92
Total of the above	354,962.29						5,464,984.92
Financial liabilities	47,482,470.50	45,022,867.25					2,459,603.25

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value (RMB)	Reason for restriction
Monetary capital	913,994,647.81	Among them, 45,160,920 yuan is all kinds of deposit that cannot be withdrawn at any time; 235 million yuan is a time deposit; RMB 20,10.352 billion is the funds of the households under the supervision of repayment; 19.8 million yuan in deposits pledged as loans; 4.3466 million yuan is the lawsuit frozen fund; 2,203,600 yuan restricted due to other reasons.
Notes receivable	1,321,454,860.01	As of December 31, 2018, the company has pledged the notes receivable with the book value of RMB 132,145,490 for issuing bank acceptance bills, letters of credit, letters of guarantee, trade financing and other comprehensive financing services.

Fixed assets	226,955,651.88	For mortgage borrowings. Refer to 20. Short-term Borrowings in Note VI
Intangible assets	57,207,934.40	For mortgage borrowings. Refer to 20. Short-term Borrowings and 28. Long-term Borrowings in Note VI
Long-term receivables	349,416,483.56	Note to the financial statements for 2018: "28 long-term loans" in "notes to consolidated financial statements"
Total	2,869,029,577.66	

V Investments Made

1. Total Investment Amount

√ Applicable □ Not applicable

Amount of Reporting Period (RMB)	Amount of the same period of last year (RMB)	Change (%)
2,430,495,935.00	1,185,098,584.39	105.09%

2. Major Equity Investments Made in the Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Investee	Main business	Investment method	Investment amount	Shareholding percentage	Capital resources	Partner	Investment term	Type of products	Progress as of the balance sheet date	Estimated income	Profits or losses of investment in the Reporting Period	Involve in the Reporting Period	Disclosure date (if any)	Disclosure index (if any)
Chuzhou Huike Intelligent Household Appliance Industrial Investment Partners	Credits investment	Acquisition	1,000,000.00	13.33%	Self-owned funds	First Thai Jinxin (Changxing) Investment Management Co., Ltd., Chuzhou Tongchuan Construction	Seven years	Credits	Complete registration changing procedures	-	-	Not	December 2018	http://http://www.cninfo.com.cn/new/index/new/index

hip (Limite d Partners hip)						on Investmen t Co., Ltd. and GuoYuan Securities Co., Ltd								
Oriental Konka No.1 (Zhuhai) Private Equity Investm ent Fund (Limite d Partners hip)	Equi ty inves tmen t	Newly establi shed	1,001, 000,00 0.00	49.95 %	Self- own ed fund s	Shenzhen Qianhai Oriental Venture Capital Holding Co., Ltd., and Oriental Huijia (Zhuhai) Asset Managem ent Co., Ltd.	Five year s	Equity invest ment	The fund has been set up and has invested Jiangxi Yahua Electronic Materials Co., Ltd. for 11.95% equity and Genew Technologies Co. Ltd. for 2.07% equity as well as Roshow Science and Technology Co., Ltd. for 5% equity	-	-	No t	18 April 2018	
Total	--	--	2,001, 000,00 0.00	--	--	--	--	--	--	-	-	--	--	--

3. Major Non-Equity Investments Ongoing in the Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Item	Investm ent method	Fixed assets investm ent or not	Industry involv ed	Input amount in the Reporti ng Period	Accumu lative actual input amount as of the period-e nd	Capit al resour ces	Progress	Estimat ed revenue s	Accumu lative realized revenue s as of the period-e nd	reason for not meeting the schedul e and expecte d revenue s	Disclos ure date (if any)	Disclos ure index (if any)

Konka Technological Innovation Center	Self-built	Yes	Electronic industry	9,169,900	88,482,900	Self-owned funds	7.79%	/	30,000,000	N/A	30 December 2016	
New plant in Dongguan city	Self-built	Yes	Electronic industry	0	0	Self-owned funds	0	/	0	N/A	11 March 2017	
Yibin Konka Smart Terminal High-Tech Park	Self-built	Yes	Electronic industry	19,250,000	19,250,000	Self-owned funds	5.20%	/	0	N/A	22 May 2018	
Chengdu Belt and Road Headquarters	Self-built	Yes	Electronic industry	0	0	Self-owned funds	0	/	0	N/A	27 June 2018	http://http://www.cninfo.com.cn/new/index/new/index
Suining Konka Electronic technology Industrial Park	Self-built	Yes	Electronic industry	0	0	Self-owned funds	0	/	0	N/A	17 October 2018	
Konka (Chuzhou) Smart Appliances and Equipment Industrial Park	Self-built	Yes	Electronic industry	76,222,400	76,222,400	Self-owned funds	6.76%	/	0	N/A	25 December 2018	
Total	--	--	--	104,64	183,95	--	--		0	--	--	--

				2,300	5,300								
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Notes: (1) In regard to the Konka Technological Innovation Centre, the land use right transfer agreement has been signed, the project is under planning and bidding.

(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 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.

(5) As for Suining Konka Electronic technology Industrial Park, a project company has been set up and the Company is waiting for the local government to put out the project target land for bids.

(6) With respect to Konka (Chuzhou) Smart Appliances and Equipment Industrial Park, the land use right transfer agreement has been signed and the general contract for construction is under bidding.

4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

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	Capital resource
Domestically/ Overseas listed stock	002915	ZXFC	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
Domestically/ Overseas listed stock	300730	KCXX	1,513.16	Fair value method	7,520.55	0.00	0.00	0.00	8,282.56	6,769.40	0.00	Available-for-sale financial assets	New stock subscription
Domestically/ Overseas listed stock	002920	DSXW	12,537.88	Fair value method	24,025.82	0.00	0.00	0.00	26,420.42	13,882.54	0.00	Available-for-sale financial assets	New stock subscription

Domes tically/ Overse as listed stock	002919	MCJ K	1,406. 72	Fair value method	3,949. 12	0.00	0.00	0.00	4,715. 20	3,308. 48	0.00	Available-f or-sale financial assets	New stock subsc riptio n
Domes tically/ Overse as listed stock	002922	YGE	3,462. 39	Fair value method	4,985. 73	0.00	0.00	0.00	9,466. 47	6,004. 08	0.00	Available-f or-sale financial assets	New stock subsc riptio n
Domes tically/ Overse as listed stock	300735	GHK J	5,064. 93	Fair value method	7,295. 73	0.00	0.00	0.00	14,767 .84	9,702. 91	0.00	Available-f or-sale financial assets	New stock subsc riptio n
Domes tically/ Overse as listed stock	300664	PYH B	5,026. 08	Fair value method	0.00	0.00	0.00	5,026 .08	13,668 .90	8,642. 82	0.00	Available-f or-sale financial assets	New stock subsc riptio n
Domes tically/ Overse as listed stock	002923	RDG F	3,129. 84	Fair value method	0.00	0.00	0.00	3,129 .84	8,780. 48	5,650. 64	0.00	Available-f or-sale financial assets	New stock subsc riptio n
Domes tically/ Overse as listed stock	300684	ZSKJ	1,376. 00	Fair value method	2,397. 68	0.00	0.00	0.00	9,683. 60	8,307. 60	0.00	Available-f or-sale financial assets	New stock subsc riptio n
Domes tically/ Overse as listed stock	300733	XLD L	5,160. 00	Fair value method	0.00	0.00	0.00	5,160 .00	12,000 .00	6,840. 00	0.00	Available-f or-sale financial assets	New stock subsc riptio n

Domes tically/ Overse as listed stock	002925	YQK J	13,095 .00	Fair value method	0.00	0.00	0.00	13,09 5.00	47,724 .00	34,629 .00	0.00	Available-f or-sale financial assets	New stock subsc riptio n
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	26,41 0.92	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)	None
Disclosure date of board announcement approving derivative investment	24 May 2014
Disclosure date of shareholders' meeting announcement approving derivative investment	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	Beginning contractual amount	Ending contractual amount	Gain/loss in Reporting Period	Ending investment amount as a percentage of the Company's ending net asset value
Forward forex contract	224, 712. 77	61, 356. 18	426. 21	7. 57%

5. Use of Funds Raised

Applicable Not applicable

No such cases in the Reporting Period

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

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	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	Pricing principle	Related-party 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
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				ng to date of sale (RMB' 0,000)		net income (%)							
Suzhou Anze Fuxing Venture Capital Centre (Limite d Partner ship) and Gongqi ngchen g Little Cherry Invest ment Manag ement Partner ship Compa ny (Limite d Partner ship)	6% interest in Shenzh en Qianha i Qingso ng Venture Capital Fund Compa ny (Limite d Partner ship)	29 March 2018	3,725	0	Optimi zing the Compa ny's allocati on of assets, generat ing cash inflows , increasi ng assets' liquidit y and improv ing the Compa ny's	2.58%	Market price	Not	Not related	Yes	N/A	31 March 2018	http://http://www.cninfo.com.cn/new/index/new/index
Taizhou OCT	51% shares o Kunshan Kangsh eng	25 June 2018	28,068.03	-1,997	earnings	29.19%	Market price	Yes	The same actual controll er	Yes	N/A	16 June 2018	

VII Major Subsidiaries

√ Applicable □ Not applicable

Major fully/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	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Anhui Konka Tongchuan Household Appliances Co., Ltd.	Subsidiary	Production and sale of refrigerators, washing machines and other household appliances	RMB502000000	2,497,405,642.84	630,622,484.01	2,712,561,615.72	-35,385,671.10	208,631,212.32
Anhui Konka Electronic Co., Ltd.	Subsidiary	Production and sale of multimedia products	RMB140000000	1,207,383,538.81	396,051,806.15	2,501,118,245.38	24,658,423.92	22,638,166.45
Shenzhen Konka Telecommunications Technology Co., Ltd.	Subsidiary	Production and sale of mobile communication products	RMB400000000	527,827,516.87	131,429,034.06	424,644,976.22	7,559,757.66	19,885,206.05
Hong Kong Konka Co., Ltd.	Subsidiary	Export & import of electromechanical and electronics	HKD5000000	2,329,894,580.30	220,708,455.97	4,690,713,709.84	72,716,705.17	64,516,609.60
Chain Kingdom Co., Limited	Subsidiary	Supply chain management	USD1500000	1,815,415,092.76	76,067,650.05	9,093,158,938.89	52,696,310.44	44,048,413.75
Econ Technology (Consolidated)	Subsidiary	Utilities-gas and water	RMB164000000	2,768,488,596.93	664,938,910.78	1,097,227,129.62	170,548,389.06	146,768,372.61
E2info	Subsidiary	Internet and related services	RMB200000000	292,174,377.67	84,354,433.38	219,157,394.91	66,848,776.43	56,688,972.55
Konka Huanjia	Subsidiary	Popularity and	RMB180000000	794,931,894.26	230,701,241.53	1,925,972,590.36	68,273,527.33	50,701,241.53

		application of technologies						
Jiangxi Konka	Subsidiary	Manufacturing of chemical raw materials and chemical products	RMB272727273	1,628,018,929.61	576,797,504.44	123,931,769.36	18,744,605.94	47,958,725.00

Subsidiaries obtained or disposed in the Reporting Period:

√ Applicable □ Not applicable

Subsidiary	How subsidiary was obtained or disposed in the Reporting Period	Effects on overall operations and operating performance
Econ Technology (and its subsidiaries)	Share acquisition	Make the Company enter the environmental protection field
Henan Frestec Refrigeration Appliance Co., Ltd.	Share acquisition	Beneficial to the development of the Company's household appliances
Henan Frestec Household Appliances Co., Ltd.	Share acquisition	Beneficial to the development of the Company's household appliances
Henan Frestec Electrical Appliances Co., Ltd.	Share acquisition	Beneficial to the development of the Company's household appliances
GuangDong XingDa HongYe Electronic Co., Ltd. (and its subsidiaries)	Share acquisition	Beneficial to the development of the Company's PCB
Jiangxi Konka New Material Technology Co., Ltd. (and its subsidiaries)	Share acquisition	Make the Company enter the new materials field
Chengdu Konka Incubator Management Co., Ltd.	Establishment by investment	Beneficial to promoting rapid development of relevant business of the Company
Chengdu Anren Konka Wenchuang Incubator Management Co., Ltd.	Establishment by investment	
Guiyang Konka Enterprise Service Co., Ltd	Establishment by investment	
Nanjing Chuanghui Intelligent Technology Co., Ltd	Establishment by investment	
Guizhou Konka Enterprise management Service Co., Ltd	Establishment by investment	

Yibin konka Incubator Management Co., Ltd.	Establishment by investment	
Shenzhen Konka Cross-border Kechuang Co., Ltd	Establishment by investment	
Jiali International (Hong Kong) Limited	Establishment by investment	
Sichuan Konka Smart terminal Technology Co., Ltd	Establishment by investment	
Anhui Konka Electronic Co., Ltd.	Establishment by investment	
Jiixin Technology Co., Ltd.	Establishment by investment	
Shenzhen Konka Yifang Technology Co., Ltd	Establishment by investment	
Kangjietong (Hong Kong) Limited	Establishment by investment	
Yibin Konka Technology Park Operation Co., Ltd.	Establishment by investment	
Sichuan Konka Industry New Town Development Co., Ltd	Establishment by investment	
Konka Suiyong Investment (Shenzhen) Co., Ltd.	Establishment by investment	
Hainan Konka Technology Industry Development Co., Ltd	Establishment by investment	
Shenzhen Kangquan Enterprise Management Consultancy Co., Ltd	Establishment by investment	
Shenzhen Konka Electronics Technology Co., Ltd.	Establishment by investment	
Nanjing Konka Intelligent Technology Co., Ltd	Establishment by investment	
Anhui Konka Zhilian E-commerce Co., Ltd	Establishment by investment	
Konka Huanjia (Dalian) Environmental Technology Co., Ltd.	Establishment by investment	
Shanghai Konka Industry Co., Ltd	Establishment by investment	
Chuzhou Kangyong Health Industry Development Co., Ltd	Establishment by investment	
Yantai Konka Industry Co., Ltd	Establishment by investment	
Yantai kangjin Technology Development Co., Ltd	Establishment by investment	
Shandong Kangxin Industry Development Co., Ltd	Establishment by investment	
Shenzhen kangxinwei Semiconductor Co., Ltd	Establishment by investment	
Shenzhen Meixin Semiconducting Technology Co., Ltd	Establishment by investment	
Hefei kangxinwei Storage Technology Co.,Ltd	Establishment by investment	

Shenzhen Nianhua Enterprise Management Co., Ltd	Establishment by investment	
Shenzhen Konka Eco-development Investment Co., Ltd	Establishment by investment	
Konka Ronghe Industry Technology (Foshan) Co., Ltd	Establishment by investment	
Suining Konka Industry Park Development Co., Ltd	Establishment by investment	
Sichuan Kangjiatong Supply Chain Management Co., Ltd.	Establishment by investment	
Shenzhen Konka Suyuan Investment Industry Co., Ltd	Establishment by investment	
Anhui Kaikai Shijie E-commerce Co., Ltd.	Transfer of part of shares	Bring about gains with certain amount
Kunshan Kangsheng Investment Development Co., Ltd.	Transfer of part of shares	
Shenzhen Konka Supply Chain Management Holding Co., Ltd.	Cancellation	No significant effects
Shenzhen Konka Plastic Products Co., Ltd.	Cancellation	No significant effects
Chongqing Qingjia	Runtian Group entrusted the 20% voting rights of Chongqing Qingjia to Chongqing electromechanical Holding (Group) Co. Ltd. for management. The Company lost the control power and it will no longer be included into the combination scope.	No significant effects

Information about major majority- and minority-owned subsidiaries:

None

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX. Prospect of the Company's Future Development

The Company will continue the strategic orientation of “Science & technology + Industry + Park” in 2019 and take reform, transformation and upgrading as the development strategy to vigorously establish the framework of concerted development of the four key business groups, proactively enhance R&D capabilities and innovation abilities, promote brand rejuvenation, fully drive leaping development, and build a platform company driven by scientific and technological innovations.

The Company's work plan for 2019 is as follows:

(I) To proactively implement the strategy of “Science & technology + Industry + Park”

In 2019, the Company will further reinforce the promotion and implementation of the strategy of “Science & technology + Industry + Park” and establish a system for the implementation from the perspectives of policy culture, business operation, system flow and organization structure to convert strategies and measures into tangible actions and ensure the full implementation of the strategic planning.

(II) To promote the deep integrated development of emerging industries

First, the Company will make the emerging industries including environmental protection, semiconductors and new materials bigger and stronger, deepen the comprehensive organization from business scope and business platform to business mode, and gradually form stable business scale and profits. Second, the Company will further enhance its management capabilities and level for emerging industries, promote the synergy of new industries and original industries and accomplish the all-round leaping development of emerging industries.

(III) To strengthen R&D investment and consolidate scientific and technological innovation driver

In 2019, the Company will further increase R&D investment. While doing that, the Company will focus on the layout of cutting-edge technology fields including Micro LED, new materials, the Internet of Things and semiconductors to achieve the innovation and breakthroughs in key technologies and drive the macro development of the Company. In addition, the Company will proactively promote the efforts for academician and postdoctoral programs and vigorously introduce top talents including academicians and postdoctoral fellows to make breakthroughs in prospective technologies and major innovation areas.

(IV) To increase brand investment and promote brand rejuvenation

The Company will adopt systemic placement strategies to increase brand investment continuously and keep driving brand rejuvenation through innovative means.

(V) To enhance capital operation capabilities

On the basis of strengthening its concentrated management of funds, proactively developing financing channels at low costs, optimizing the debt structure, vitalizing excellent assets and increasing asset liquidity, the Company will reinforce the research on relevant policies, proactively promote the capitalization of enterprises which have completed the mixed ownership reform and enhance its capital operation capabilities.

(VI) To further boost the mixed ownership reform

In 2019, while improving the operation quality of enterprises which have completed the mixed ownership reform, the Company will continue to intensify the reform and fully promote the reform in subsidiaries to realize the reform comprehensively.

(VII) Major work in all business units

1. Multimedia business

In 2019, the Company will continue to deepen reforms in the multimedia business to achieve fast growth in the scale of domestic e-commerce business and of overseas business, and prepare adequate technical and team reserves for Micro LED, the new-generation display technology. In addition, the Company will carry out intelligent upgrading and diverse operations for its multimedia manufacturing business to build itself into a manufacturer of electronic products including color TV sets and provider of manufacturing solutions.

2. White goods business

In terms of the white goods business, the Company will achieve substantial increase in the business scale through channel reforms, excellent projects and marketing innovations and step up efforts to promote the deep integration of the dual brand operation of “Konka + Frestec” to achieve the brand influence of 1+1>2.

3. Environmental protection business

In 2019, the Company will give a comprehensive review on the implemented environmental and new material enterprises from business scope and business platform to business model, proactively boost their rapid development and refine and reinforce the layout in the environmental and new material industries through a combination of approaches. In particular, the Company will advance the material breakthroughs and implementations of glass ceramic materials in the field of electronic business application, further laying a solid foundation for sustainable business growth.

4. Semiconductor business

In 2019, the Company needs to develop technologies and product routes with proprietary intellectual property rights for its semiconductor business and enable the material implementation of relevant projects as soon as possible.

5. Mobile Internet business

In respect of the mobile Internet business, the Company will keep improving the operation performances by enhancing management abilities and developing new products at the mobile terminal.

6. Science and technology park business

In terms of the science and technology park business, the Company will review and establish the organization structure of business units, strengthen the building of talent echelons and enhance the operation level to accommodate business development, thus further expediting the expansion of new projects while ensuring the smooth promotion of existing projects.

7. Supply chain management business

In 2019, the Company will continue to drive the upgrading of business models for its supply chain management business with a gradual shift towards the production stage while achieving the balanced development of all product lines. Furthermore, the Company will further reinforce risk control and forestall various risks during the business operation process by standardizing and refining different business processes.

8. Internet business

In 2019, the Company will review and determine the strategic orientation for its Internet business, promote multiple-scenario user operations and diverse development and make holistic breakthroughs in the business. In addition, the Company will proactively push the cooperation with Ali towards a greater depth and achieve the breakthroughs in content and service.

9. Investment business

In 2019, the Company will continue to strengthen industrial layout for its investment business. In addition to the existing industries, the Company will focus on the fields with strong support from the state such as strategic emerging industries and on the fields that are able to form strategic synergy with the Company's existing businesses in order to support the leaping development of the Company; additionally, the Company will further intensify post-investment management, keep itself updated with the operation status of investees and achieve the sustainable growth of them.

10. Venture capital business

In terms of the venture capital business, on one hand, the Company will achieve the positive operation of implemented innovation centers and promote the industrial synergy with other businesses; on the other hand, the Company will strengthen the expansion, strive to implement 3-5 new innovation centers and increase its industrial influence in venture capital.

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

√ Applicable □ Not applicable

Date	Way of	Type of	Index to main information communicated
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	communication	communication party	
8 June 2018	One-on-one meeting	Individual	http://irm.cninfo.com.cn/irms/ssgs/companyIrmForSzse.do?stockcode=000016
Times of communications			1
Number of institutions communicated with			1
Number of individuals communicated with			0
Number of other communication parties			0
Tip-offs or leakages of substantial supposedly-confidential information during communications		None	

Part V Significant Events

I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, for ordinary shareholders was formulated, executed or revised in the Reporting Period:

Applicable Not applicable

The cash dividend policy of the Company was clearly stated in its Articles of Association, with specific and clear dividend standards and ratios. The relevant decision-making procedure and mechanism were sound; the independent directors faithfully performed their duties and played their due role; and the non-controlling interests were able to fully express their opinion and desire and their legal rights and interests were fully protected. The Company strictly followed the cash dividend policy in its Articles of Association, and the cash dividend payout of the Company was in line with its Articles of Association and the relevant resolution of the Shareholders' Meeting.

According to the requirements of the Listed Company Supervision Guideline No. 3—Listed Companies' Cash Dividend issued by the CSRC, the Company has revised the dividend payout policy in its Articles of Association, further clarifying the priority and proportion of cash dividend in dividend payouts. In order to further normalize its shareholder return mechanism, push forward the establishment of a scientific, sustained and stable shareholder return mechanism, enhance the transparency and operability of decision-making for its dividend payout policy, and effectively protect the legal rights and interests of public investors, the Company strictly followed the *Shareholder Return Planning for Subsequent Three Years (2016-2018)*, which was formulated in 2016.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	Yes

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

1. Dividend Payout Plan for 2018

Based on the total shares of 2,407,945,408 as of the end of 2018, a cash dividend of RMB1.00 (tax inclusive) per 10 shares was planned to be distributed to all the shareholders, with the total dividend payout reaching RMB240,794,540.80. And the retained earnings should carry forward for future payout without bonus issue from capital reserves and profit.

2. Dividend Payout Plan for 2017

Based on the total shares of 2,407,945,408 as of the end of 2017, a cash dividend of RMB1.62 (tax inclusive) per 10 shares was distributed to all the shareholders, with the total dividend payout reaching RMB390,087,156.10. And the retained earnings should carry forward for future payout without bonus issue from capital reserves and profit.

3. Dividend Payout Plan for 2016

The audited undistributed profits were RMB-427,163,254.63 for 2016. In light of the Company's realities and long-term development needs, the Company neither record capital reserves nor distribute cash dividend, bonus issue from capital reserves and bonus issue from profit for the year.

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period)

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)
2018	240,794,540.80	411,289,744.68	58.55%	0.00	0.00%	240,794,540.80	58.55%
2017	390,087,156.10	5,057,025,155.71	7.71%	0.00	0.00%	390,087,156.10	7.71%
2016	0	95,673,028.03	0.00%	0.00	0.00%	0.00	0.00%

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

Applicable Not applicable

II Final Dividend Plan for the Reporting Period

Applicable Not applicable

Share dividend per 10 shares from retained earnings (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	1.00
Share dividend per 10 shares from capital reserves (share)	0
Share base (share)	2,407,945,408
Total cash dividends (RMB) (tax inclusive)	240,794,540.80
Cash dividends in other ways (such as share repurchase) (RMB)	0.00
Total cash dividends (including other ways) (RMB)	240,794,540.80
Distributable profits (RMB)	411,289,744.68
Cash dividends as a percentage of total profits to be distributed (%)	100%

Details of cash dividend for the Reporting Period

Details of plan for profit distribution or bonus issue from capital reserves

The audited net profit attributable to owners of the Company as the parent in 2018 was RMB411,289,744.68, retained earnings were RMB4,271,408,192.21. In accordance with relevant laws and regulations, provisions of Articles of Associations and demand of the Company for sustainable development, the profit distribution plan was supposed to be as follows: based on the total shares of 2,407,945,408 as of the end of 2018, a cash dividend of RMB1.00 (tax inclusive) per 10 shares was distributed to all the shareholders, with the total dividend payout expected reaching RMB240,794,540.80. And the retained earnings should carry forward for future payout without bonus issue from capital reserves and profit.

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

Applicable Not applicable

No such cases in the Reporting Period.

2. Where there had an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

Applicable Not applicable

IV Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

Applicable Not applicable

On 31 March 2017, the Ministry of Finance revised and released the accounting standards related to financial instruments, including ASBE No. 22- Recognition and Measurement of Financial Instruments, ASBE No. 23- Transfer of Financial Assets, ASBE No. 24-Hedge Accounting. On 2 May 2017, it revised and issued ASBE No.37–Presentation of Financial Instruments. The above four financial instruments (collectively referred to as “New Financial Instruments Standards”) require to be implemented by various listed companies in China from 1 January 2019 on. In addition, the Ministry of Finance issued the Notice on Printing and Distributing the 2018 Annual Financial Statements of General Enterprises on 15 June 2018 (NO. CK [2018] 15), indicating that various enterprises implementing ASBE need to prepare their financial statements in accordance with these standards.

After this change, the Company shall formulate the financial statements according to The Format of Financial Statements of General Enterprises (NO. CK [2018] 15) from 1 July 2018 to 1 January 2019 (applied to enterprises that have not yet implemented new financial standards and new income standards). This change in accounting policy only affects the financial statement format and presentation of report items, and will not have a significant impact on the Company’s 2018 financial position, operating results and cash flow.

From 1 January 2019, the Company will start to implement new financial instruments standards and formulate the financial statements according to The Format of Financial Statements of General Enterprises (applied to enterprises that have implemented new financial standards and new income standards). According to new financial instrument standards, the Company regards the “business model” of financial assets held by the enterprises and the “cash flow characteristics of financial assets contracts” as the basis for judging, classifying and measuring financial instruments (including impairment), and the accounting treatment geared to the financial assets impairment shall be changed from the “incurred loss method” to the “expected loss method”. The difference between the original book value of the financial instrument and the new book value on the date of implementation of the standard is included in the retained earnings at the beginning of 2019 or other comprehensive incomes. Meanwhile, the format of the company’s financial statements was adjusted according to The Format of Financial Statements of General Enterprises (No. CK[2018] 15) (applied to enterprises that have implemented new financial standards and new income standards).

The change in above accounting policy will not have significant impact on the Company's financial situation, operating results and cash flow.

VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

Refer to Part IV-II-2-(6) for details.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Ruihua Certified Public Accountants LLP
The Company's payment to the domestic independent auditor (RMB'0,000)	254.4
How many consecutive years the domestic independent auditor has provided audit service for the Company	Six years
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Liu Jianhua and Shen Lingzhi
How many consecutive years the certified public accountants have provided audit service for the Company	Four years
Name of the overseas independent auditor (if any)	N/A
How many consecutive years the overseas independent auditor has provided audit service for the Company (if any)	N/A
Names of the certified public accountants from the overseas independent auditor writing signatures on the auditor's report (if any)	N/A
How many consecutive years the certified public accountants have provided audit service for the Company (if any)	N/A

Indicate by tick mark whether the independent auditor was changed for the Reporting Period

Yes No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls

Applicable Not applicable

X Possibility of Listing Suspension or Termination after Disclosure of this Report

Applicable Not applicable

XI Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

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							

XIII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

XVI 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 the 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 and services	Purchase of materials	Negotiated price	Market price	2,390.81	0.28%	2,500	Not	Cash	N/A	31 March 2018	http://www.cninfo.com.cn/new/index
OCT Enterprises Co.,	Under the same	Sales of goods	Sales of LCD	Negotiated	Market price	1,459.22	0.15%	3,000	Not	Cash	N/A	31 March	

Ltd and its subsidiaries	actual control	and services		price								2018
Total	--	--	3,850.03	--	5,500	--	--	--	--	--	--	--
Large-amount sales return in detail	N/A											
Give the actual situation in the Reporting Period (if any) where an estimate had been made for the total value of continuing related-party transactions by type to occur in the Reporting Period	The Company has published the Forecasting Public Notice on Routine Related-party 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 http://www.cninfo.com.cn/new/index 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 RMB38.5003 million.											
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A											

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

Applicable Not applicable

For the specific content, please refer to the relevant content of "5. Other material related transactions" in this section

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

For the specific content, please refer to the relevant content of "5. Other material related transactions" in this section

4. Credits and Liabilities with Related Parties

Applicable Not applicable

Indicate by tick mark whether there were any credits and liabilities with related parties for non-operating purposes.

Yes No

Credits receivable with related parties:

Related party	Related relationship	Forming reason	Whether there is occupation on non-operating capital or not	Beginning balance (RMB'0,000)	Increased in the Reporting Period (RMB'0,000)	Recovered in the Reporting Period (RMB'0,000)	Interest rate	Interest in the Reporting Period (RMB'0,000)	Ending balance (RMB'0,000)
None	None	None	Not	0	0	0	0	0	0

Effects of credits with related parties on the Company's operating results and financial conditions	None
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Liabilities payable with related parties:

Related party	Related relationship	Forming reason	Beginning balance (RMB'0,000)	Increased in the Reporting Period (RMB'0,000)	Recovered in the Reporting Period (RMB'0,000)	Interest rate	Interest in the Reporting Period (RMB'0,000)	Ending balance (RMB'0,000)
OCT Enterprises Co., Ltd.	Controlling shareholder	The Company applies entrusted loan to it	0	50,000	50,000	4.35%	151	-
			0	50,000	50,000	6.00%	1,487	-
			0	27,656	-	5.00%	42	27,656
			0	50,000	-	5.00%	76	50,000
			0	50,000	-	5.00%	104	50,000
			0	140,000	-	6.00%	5,413	140,000
			0	10,000	-	5.40%	302	10,000
			0	48,000	-	6.00%	1,328	48,000
			0	100,000	-	6.00%	1,233	100,000
			0	2,000	-	5.60%	52	2,000
0	50,000	50,000	3.05%	513	-			
Effects of liabilities with related parties on the Company's operating results and financial conditions	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 1st 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. At present, Shenzhen Konka Telecommunications Technology Co., Ltd. has completed the capital increase in Yibin OCT Sanjiang Real Estate Co., Ltd.
- (2) The Project of Transferring Equity of Kunshan Kangsheng Investment Development Co., Ltd.: On 14 June 2018, the 44th Meeting of the 8th 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 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) Venture capital platform service project: Konka Ventures Development (Shenzhen) Co., Ltd., a subsidiary of the Company entered into an agreement with OCT Group to provide venture capital platform services for it. OCT Group has paid a service fee of RMB20 million to Konka Ventures Development (Shenzhen) Co., Ltd. During the Reporting Period, Konka Ventures Development (Shenzhen) Co., Ltd. recognized revenue of RMB19.4175 million.

(4) Provided financial aids to Sanjiang Group: On September 18, 2018, the Proposal on the Provision of Financial Aids to Yibin OCT Sanjiang Group was deliberated and approved at the Company's 49th Meeting of the Eighth Session of the Board of Directors. According to the proposal, Shenzhen Konka Communications Science and Technology Co., Ltd., a wholly-owned subsidiary of the Company and the other shareholders of Yibin OCT Sanjiang Group would provide financial aids to Yibin OCT Sanjiang Group in their shareholding proportion. So far, Shenzhen Konka Communications Science and Technology Co., Ltd. has provided a borrowing of RMB100 million in its shareholding proportion.

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

Title of public announcement	Disclosure date	Disclosure website
Announcement on Capital Increase in Sanjiang Real Estate and Related-party Transactions	18 April 2018	http://http://www.cninfo.com.cn/new/index
Announcement on the Transfer of 51% Equities of Kunshan Kangsheng and Related-party Transactions	16 June 2018	
Announcement on the Progress of the Transfer of 51% Equities of Kunshan Kangsheng	3 July 2018	
Announcement on Offering Financial Aid to Sanjiang Real Estate and Related-party Transactions	19 September 2018	
Announcement on Providing Guarantee Line for Joint-stock Company and Related-party Transactions	19 September 2018	

XVII Major Contracts and Execution thereof

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 (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Jiangxi Xinxin Jianan Engineering Co., Ltd.		10,000	12 December 2016	10,000	Joint-liability	TWO years	Not	Not
Jiangxi Zhongyi Decoration Materials Co., Ltd.		10,000	12 December 2016	10,000	Joint-liability	TWO years	Not	Not
Jiangxi Shanshi Technological Development Co., Ltd.		10,000	12 December 2016	10,000	Joint-liability	TWO years	Not	Not
Total approved line for such guarantees in the Reporting Period (A1)			177,500	Total actual amount of such guarantees in the Reporting Period (A2)			0	
Total approved line for such guarantees at the end of the Reporting Period (A3)			207,500	Total actual balance of such guarantees at the end of the Reporting Period (A4)			30,000	
Guarantees provided between the Company and subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party

								or not
Anhui Tongchuang		90,000	7 November 2018	5,800	Joint-liability	One year	Not	Not
			9 May 2018	4,500	Joint-liability	One year	Not	Not
			20 September 2018	5,500	Joint-liability	One year	Not	Not
			19 June 2018	3,000	Joint-liability	One year	Not	Not
Communication technology		50,000	5 February 2018	50,000	Joint-liability	One year	Not	Not
Anhui Konka	31 March 2017 and 31 March 2018	110,000	2 May 2018	20,000	Joint-liability	One year	Not	Not
			1 June 2018	8,000	Joint-liability	One year	Not	Not
			6 December 2018	10,000	Joint-liability	One year	Not	Not
E-display		8,000	29 November 2018	2,000	Joint-liability	One year	Not	Not
Hong Kong Konka		365,258	31 May 2018	20,807	Joint-liability	One year	Not	Not
			25 July 2018	2,427	Joint-liability	One year	Not	Not
			7 August 2018	10,403	Joint-liability	One year	Not	Not
Konka Factoring		300,000	29 September 2018	20,000	Joint-liability	One year	Not	Not
			27 June 2018	14,000	Joint-liability	One year	Not	Not
XingDa HongYe	19 September 2018	10,000	21 November 2018	5,800	Joint-liability	Two years	Not	Not
Econ Technology	19 September 2018	120,000	10 October 2018	3,135	Joint-liability	One year	Not	Not
Konka Material	31 October 2018	60,000	4 December 2018	10,000	Joint-liability	One year	Not	Not
Total approved line for such guarantees in the Reporting Period (B1)			993,686	Total actual amount of such guarantees in the Reporting Period (B2)			195,372	
Total approved line for such guarantees at the end of the Reporting Period (B3)			1,903,486	Total actual balance of such guarantees at the end of the Reporting Period (B4)			195,372	

Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Sichuan Konka		14,000	28 May 2018	14,000	Joint-liability	Seven years	Not	Not
Rushan Econ		29,000	29 December 2016	29,000	Joint-liability	Ten years	Not	Not
Kangzhi Trade		43,300	12 December 2018	43,300	Joint-liability		Not	Not
XingDa HongYe		1,000	13 November 2018	1,000	Joint-liability	Two years	Not	Not
Total approved line for such guarantees in the Reporting Period (C1)			58,300	Total actual amount of such guarantees in the Reporting Period (C2)			58,300	
Total approved line for such guarantees at the end of the Reporting Period (C3)			87,300	Total actual balance of such guarantees at the end of the Reporting Period (C4)			87,300	
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)			1,229,486	Total actual guarantee amount in the Reporting Period (A2+B2+C2)			253,672	
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)			2,198,286	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			312,672	
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets				38.58%				
Of which:								
Balance of guarantees provided for shareholders, actual controller and their related parties (D)						0		
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)						312,672		
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)						0		
Total of the three amounts above (D+E+F)						312,672		
Joint responsibilities possibly borne in the Reporting Period for undue guarantees (if any)						N/A		
Provision of external guarantees in breach of the prescribed procedures (if any)						N/A		

Compound guarantees:

None

(2) Irregularities in Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overview of cash entrusted for wealth management

Unit: RMB'0,000

Type	Capital resource	Amount	Outstanding balance	Overdue amount
Trusted financial products	Self-owned funds	3,000	3,000	0
Total		3,000	3,000	0

High-risk entrusted asset management with significant single amount or low security, poor liquidity and no capital preservation:

Applicable Not applicable

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

Overview of entrusted loans

Unit: RMB'0,000

Total amount	Capital resource	Outstanding amount	Overdue amount
2,000	Self-owned funds	2,000	0

High-risk entrusted loans with significant single amount or low security, poor liquidity and no capital preservation:

Applicable Not applicable

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted loans

Applicable Not applicable

4. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

The Company insists the principle of health, stability and sustainable development to benefit shareholders and employees and satisfy customers. In pursuit of economic profits and protection of shareholders' profits, the Company is active in protecting legal rights of debtors and employees,

treating suppliers, customers and consumers in good faith, and participating in environmental protection and community establishment for harmonious development of the Company and society.

1. To protect rights of shareholders and creditors

(1) The Company protects rights of shareholders

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

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

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

(2) The Company protects rights of creditors

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

2. The Company performs responsibilities to suppliers and customers

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

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

(2) Be honest to suppliers

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

3. Be enthusiastic to social and public welfare undertakings

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

4. Be responsible for employees

The Company insists the principle of people orientation to improve working environment, promote occupational skills, provide opportunity and platform for development and growth and encourage

self upgradation and realization for employees. Mutual improvement for employees and enterprise could be achieved.

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

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

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

(2) To protect occupational health for employees

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

(3) To promote occupational skills by diversified professional training

The Company has always paid great attention on diversified training for employees. On the one hand, the Company would be meticulous in training of regular business and occupational skills and carry out all requirements positively to improve professional levels by normal training management. On the other hand, the Company would establish methods of self-training platform, training instructor, theme training and lectures to provide colorful training activities. Besides the work, professional and comprehensive quality would be fully promoted.

5. Be responsible for environment

The company pays close attention to the changes of the ecological environment and the close relationship between itself and the environment. Through technological innovation, it creates a low-carbon economy, from green manufacturing to green products to green industrial circular economy. The company hopes to contribute to the protection of the earth's ecological environment.

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

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

In accordance with the guiding principles of the state on the development of precision poverty alleviation, the Company has proactively carried out critical work on poverty alleviation and engaged in the targeted support in Sansui County and Tianzhu County in Guizhou Province.

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) Summary of the Related Work Done in the Reporting Period

During the Reporting Period, the Company took active steps to help Sansui County to carry out the marketing work in respect of Sansui ducks, including product sales and package planning, which effectively drove the sales of local subsidiary agricultural products. In 2018, Liu Fengxi, Board Chairman of the Company, led a team to Sansui and Tianzhu for site investigations and proposed new notions for industrial poverty alleviation, laying a solid foundation for the targeted poverty alleviation in 2019.

(3) Subsequent Plans

To fully perform its duties of targeted poverty alleviation, in 2019, the Company plans to donate office supplies of approximately RMB300,000, including television sets and books to the two counties, together with the work on public brand establishment of no more than RMB1.58 million which will be used for the package planning and advertisement promotion of Sansui ducks of Sansui County.

Additionally, the Company plans to continue carrying out the large commonweal event themed with “The Trip of Heart”.

3. Issues Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

Yes

Name of polluter	Name of major	Way of discharge	Number of discharge	Distribution of discharge	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge

	pollutants		outlets	outlets				ge	
XingDa HongYe	Pollution sources of waste water: PH、copper、COD、 ammonia nitrogen、 total nitrogen、 total phosphorus	Discharge of stationary pollution sources	1	Main discharge outlet of the waste water station	PH6-9: copper $\leq 0.5\text{mg/L}$; COD $\leq 80\text{mg/L}$; ammonia nitrogen $\leq 15\text{mg/L}$; total nitrogen $\leq 20\text{mg/L}$; total phosphorus $\leq 1\text{mg/L}$	Electroplating water pollutant discharge standard DB44/1597-2015 Table 1	44.8million tons/year	Total discharge 448,500 tons/year; pollutant COD 24,891 tons/year; ammonia nitrogen 3,982 tons/year; total nitrogen 9,373 tons/year; total phosphorus 0.439 tons/year	None
	waste gas pollutants : sulfuric acid fume, hydrogen chloride, formaldehyde, hydrogen cyanide, nitrogen oxide, ammonia, benzene, methylbenzene, TVOC, tin and its compounds, PM (dust), oil fume	Discharge of stationary pollution sources	14	Three on the roof of one plant, ten on the roof of two plants and one on the roof of the canteen	sulfuric acid fume $< 30\text{mg/m}^3$; nitrogen oxide $< 200\text{mg/m}^3$; hydrogen chloride $< 30\text{mg/m}^3$; TVOC $< 90\text{mg/m}^3$; benzene $< 12\text{mg/m}^3$; methylbenzene $< 40\text{mg/m}^3$; dimethylbenzene $< 70\text{mg/m}^3$; tin and its compounds $< 8.5\text{mg/m}^3$;	Emission Standard for Electroplating Pollutants GB21900-2008 Air Emission Limits Table 5, Guangdong Air Pollutant Emission Standard DB44/27-2001 the Second Level Standard in the Second Period, Emission standard for Odor Pollutants (GB 14554-1993) Table 2 Standard, Emission standard of cooking fume (GB18483-2001)	2,986,560,000 standard cube/year	2,986,560,000 standard cube/year (note: the total discharge is not stated in the latest version of national discharge permit in 2018; two exhaust towers were added in 2018; calculated based on air volume in environmental impact assessment)	None

(1) The construction of anti-pollution facilities and its operation situation

All production equipment of Guangdong Xingda Hongye Electronics Co., Ltd. has been set up with supporting environmental protection facilities according to the requirements of environmental impact assessment. The discharge of wastewater, waste gas and noise as well as the disposal of all solid wastes in the Company all met the standards during the Reporting Period.

The sewage treatment centre of Guangdong Xingda Hongye Electronics Co., Ltd. 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 2,566 tons/day. After technical improvement and expansion, the capacity increased to 2,900 tons/day with the treatment process remaining

unchanged. Currently, the sewage treatment facilities are functioning well and the main pollutant discharge meets the discharge standards and environmental assessment standards. The pollutants are discharged to Fushachong after being treated at the self-built sewage treatment station.

(2) Environmental impact assessment and other environmental protection administrative licenses of the construction project

Guangdong Xingda Hongye Electronics Co., Ltd. obtained the approval from Zhongshan Environmental Protection Bureau (ZHJ [2004] No. 61) for the operations and construction here in 2004. Subsequently, it obtained the documents of ZHJD [2008] No. 06250 and ZHJD [2010] No. 04469 respectively in 2008 and 2010. After the operations of its original project, Guangdong Xingda Hongye Electronics Co., Ltd. passed the two phases of acceptance assessment, including the Phase I acceptance assessment in 2008 (HY [2008] No. 02) and the Phase II acceptance assessment in 2012 (ZHYBG [2012] No. 000092).

In December 2012, Guangdong Xingda Hongye Electronics Co., Ltd. commissioned Zhongshan Research Institute of Environmental Protection Science to conduct the assessment of environmental impact for the technical improvement and expansion project of Guangdong Xingda Hongye Electronics Co., Ltd. On December 31, 2012, it obtained the approval document titled Reply to the Report on the Environmental Impact of the Technical Improvement and Expansion Project of Guangdong Xingda Hongye Electronics Co., Ltd. (ZHJS (2012) No. 115) from Zhongshan Environmental Protection Bureau. The document granted the approval for addition of the production of six-layer PCB, eight-layer PCB and above and HDI boards and for reduction of the production of single-sided PCB. After the technical improvement and expansion, the total production capacity of single-sided PCB would be 200,000 m²/year, of double-sided PCB would be 250,000 m²/year, of four-layer PCB would be 300,000 m²/year, of six-layer PCB would be 200,000 m²/year, of eight-layer PCB and above would be 150,000 m²/year and of HDI boards would be 100,000 m²/year. In the project, while the original plating equipment and processes remained unchanged, the brown oxide process was added to the original production process; all the increased plating capacity would be outsourced. The technical improvement and expansion project was commenced in 2013 and completed in January 2018. The commissioning was carried out from February 10, 2018 to July 8, 2018. The construction of the project complied with the requirements for environmental impact assessment and met the criteria for the acceptance of environmental protection for the completion of construction projects. In 2018, the Company obtained the state sewage permit, certificate No.: 91442000768405216J001P.

(3) Contingency plan for emergent environmental incident

In strict accordance with requirements of laws, regulations and relevant documents, such as Law of the People's Republic of China on Emergency Response and Interim Measures on Environmental Emergency Response Plan, Guangdong Xingda Hongye Electronics Co., Ltd. has established risk

prevention measures and emergency response plans, kept its emergency equipment in a normal state, formulated the Contingency Plan for Emergent Environmental Incident, and put on records at Zhongshan Environmental Protection Bureau, Guangdong Province, record No.: 4420002017044M. In addition, the Company conducts a drill of major environmental pollution incident on its factory to enhance its emergency response capabilities for emergent environmental pollution incidents.

Furthermore, Guangdong Xingda Hongye Electronics Co., Ltd. has built an emergency pool (which is the comprehensive water tank in the sewage treatment station covering an area of 800m³) and set up a fire pool (500m³ and located on Floor 1 of Factory Building No. 2), which serve as temporary storage pools for exterior drainage or fire drainage to eradicate accidental discharge of wastewater in the case of failed operation of the sewage transmission pipeline or fire accident due to outage or other special circumstances. The sewage transmission pipeline has been equipped with anti-corrosion and cathodic protection using anti-corrosion pipes and carbon steel pipes. Pursuant to the new discharge standards, the related discharge pipeline has been modified and the production department has been required to discharge strictly in accordance with discharge standards to cut the costs of wastewater treatment. Different types of wastewater are normally and properly treated through fine shunting. Personnel have been specially arranged to manage the chemical liquid warehouse and exert reasonable control and requirements over the liquid discharge by the plant and timely transportation of the liquid by suppliers; emergency tools such as protective masks, boots and immiscible pumps have been equipped;

(4) Environmental self-monitoring plan

According to the requirements of the Environmental Protection Administration, Guangdong Xingda Hongye Electronics Co., Ltd. attaches great importance to environmental monitoring management. Thus, pursuant to the Measures for Self-Monitoring and Information Disclosure of National Key Monitored Enterprises, the Report on the Environmental Impact of the Technical Improvement and Expansion Project of Guangdong Xingda Hongye Electronics Co., Ltd. and the reply opinions for environmental impact assessment, the Company has formulated the Environmental Self-Monitoring Plan and reported 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 through real-time monitoring and an automatic frequency of every two hours, entrusts the qualified third-party online monitoring equipment operation and maintenance institute to carry out periodic maintenance on automatic monitoring equipment and monitoring data networking equipment, and entrusts the qualified third-party monitoring unit to carry out the “three wastes” project monitoring. All self-monitoring plan results will be reported and disclosed on public platforms on a periodic basis.

In the case of normal production, the results will be updated on a daily basis, with online monitoring data disclosed in real time and manual monitoring data disclosed on the next day after

completion. In the case of public holidays, the operation monitoring data for the holiday period will be disclosed on the first working day after the holiday. Items monitored on a monthly basis will be disclosed by the 25th day of the month. Items inspected on a quarterly basis will be disclosed by the 25th day of the last month of the quarter. The annual self-monitoring report for the previous year will be disclosed at the end of January each year. In the case of shutdown with days off, the number of days off will be indicated in the information bar and related proofs will be submitted to the monitoring center of the municipal environmental bureau for record.

The results are disclosed on Guangdong Province Key Pollution Source Regulatory Information Platform and on National Pollution Source Monitoring Information Management and Sharing Platform for public monitoring.

(5) Other environmental information that should be disclosed

The environmental protection investment of Guangdong Xingda Hongye Electronics Co., Ltd. for 2018 was approximately RMB17.5 million, mainly used as the environmental engineering investment (approximately RMB8.5 million) and the operation of environmental protection equipment (approximately RMB9 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.

XIX Other Significant Events

Applicable Not applicable

(1) The Project of Establishing Company for Multimedia Business: On 17 November 2017, the 37th Meeting of the 8th Board of Directors of the Company deliberated and passed the Proposal on Establishing a Company for Konka Multimedia Business. At present, Shenzhen Konka Electronics Technology Co., Ltd. has been formally established, and the Company is in the process of business switching and asset import.

(2) The Project of Listing Transfer of Shanghai Real Estate: On 23 August 2017, the 34th Meeting of the 8th 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. However the project has been terminated

due to the failure of soliciting potential transferees.

(III) Private placement of corporate bonds, asset securitization of commercial factoring and asset securitization of accounts receivable: Currently, the private placement of corporate bonds (Phase I) of RMB2.5 billion has been issued; the asset securitization of commercial factoring and asset securitization of accounts receivable are in the declaration.

(IV) Strategic cooperation agreement with Chuzhou Municipal Government: Currently, the project land has been awarded for Konka Intelligent Home Appliance and Equipment Industrial Park Project (including Ankang Intelligent Factory) and Science and Technology Innovation Center Project Phase II and preparations are being made for the commencement of construction; in terms of Opto-electronics Industrial Fund Project (namely, Chuzhou Huike Intelligent Home Appliance Industry Investment Partnership (limited partnership)), the investment agreement has been signed and changes in business registration have been completed; in respect of Konka New Retail Headquarters Project, the project company has been established; in terms of Konka Minghu Health & Wellness Town Project, negotiations are being carried out.

(V) The project of Nanjing K-Star Cloud Network Headquarters has signed the land use right transfer agreement and is being reported for approval and piling. The Company has transferred the control power over the project company recently.

(VI) Disclosure index of significant information

Announcement No.	Date	Title	Page on newspaper	Link on http://www.cninfo.com.cn
2018-01	3 January 2018	Announcement on Receiving the Grants of Zombie Enterprises	Securities Times B5, Ta Kung Pao B1	http://www.cninfo.com.cn/new/index
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	
2018-03	4 January 2018	Announcement on Recognition of Disclosure Fee	Securities Times B44, Ta Kung Pao A20	
2018-04	4 January 2018	Announcement on Majority-owned Subsidiary' receiving of the Government Subsidies	Securities Times B44, Ta Kung Pao A20	
2018-05	19 January 2018	Announcement on the Planned Listing to Transfer	Securities Times B148, Ta Kung Pao	

		the Shares of Qingsong Venture Investment Fund	B2
2018-06	25 January 2018	Announcement on the Changes of Consulting Telephone of the Company's Investors	Securities Times B28, Ta Kung Pao B1
2018-07	26 January 2018	Announcement on the 2017 Earnings Forecasts	Securities Times B25, Ta Kung Pao B5
2018-08	20 March 2018	Announcement on the Progress of the Planned Listing to Transfer the Shares of Qingsong Venture Investment Fund	Securities Times B40, Ta Kung Pao B3
2018-09	24 March 2018	Announcement on Receiving the Tax Reimbursement Events	Securities Times B177, Ta Kung Pao B1
2018-10	31 March 2018	Announcement on the 2017 Annual Report	
2018-11	31 March 2018	Announcement on the Abstract of the 2017 Annual Report	Securities Times B253, Ta Kung Pao A18
2018-12	31 March 2018	Announcement on the Resolution of the 40 th Meeting of the 8 th Board of Directors	Securities Times B253, Ta Kung Pao A18
2018-13	31 March 2018	Announcement on the Resolution of the 17 th Meeting of the 8 th Supervisory Committee	Securities Times B253, Ta Kung Pao A18
2018-14	31 March 2018	Announcement on the Expectation of the 2018 Routine Related Transaction	Securities Times B253, Ta Kung Pao A18
2018-15	31 March 2018	Announcement on the External Guarantee of Konka Group Co., Ltd.	Securities Times B253, Ta Kung Pao A18
2018-16	31 March 2018	Announcement on the Changes of Part of Accounting Policies	Securities Times B254, Ta Kung Pao A18
2018-17	31 March	Announcement on Offering	Securities Times

	2018	Entrusted Loans to Majority-owned Subsidiary	B254, Ta Kung Pao A18
2018-18	31 March 2018	Notice on Convening the 2017 Annual General Meeting	Securities Times B254, Ta Kung Pao A19
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
2018-20	10 April 2018	Announcement on Majority-owned Subsidiary' receiving of the Government Subsidies	Securities Times B40, Ta Kung Pao B6
2018-21	14 April 2018	Announcement on the 2018 First Quarter Earnings Forecasts	Securities Times B48, Ta Kung Pao B3
2018-22	18 April 2018	Announcement on the Resolution of the 41 st Meeting of the 8 th Board of Directors	Securities Times B37, Ta Kung Pao B9
2018-23	18 April 2018	Notice on Convening the 1 st Extraordinary General Meeting of 2018	Securities Times B37, Ta Kung Pao B9
2018-24	18 April 2018	Announcement on Capital Increase in Sanjiang Real Estate and Related-party Transactions	Securities Times B37, Ta Kung Pao B9
2018-25	18 April 2018	Announcement on Sponsoring the Establishment of Industrial Buyout Fund	Securities Times B37, Ta Kung Pao B9
2018-26	24 April 2018	Announcement on the Resolution of the 2017 Annual General Meeting	Securities Times B189, Ta Kung Pao B5
2018-27	28 April 2018	2018 First Quarter Report	
2018-28	28 April 2018	Text of the 2018 First Quarter Report	Securities Times B44, Ta Kung Pao B14

2018-29	4 May 2018	Announcement on the Resolution of the 1 st Extraordinary General Meeting of 2018	Securities Times B16, Ta Kung Pao B5
2018-30	8 May 2018	Announcement on the Progress of External Guarantee	Securities Times B28, Ta Kung Pao B6
2018-31	22 May 2018	Announcement on Signing the Strategic Cooperation Agreement with Chuzhou Municipal Government	Securities Times B25, Ta Kung Pao A17
2018-32	22 May 2018	Outline of Medium and Long-term Development Strategy Programming	Securities Times B25, Ta Kung Pao A17
2018-33	23 May 2018	Announcement on the Resolution of the 43 rd Meeting of the 8 th Board of Directors	Securities Times B17, Ta Kung Pao B4
2018-34	23 May 2018	Announcement on Offering Guarantee Limit to the Wholly-owned Subsidiary	Securities Times B17, Ta Kung Pao B4
2018-35	23 May 2018	Announcement on the Private Placement of Corporate Bond Programming by the Company	Securities Times B17, Ta Kung Pao B4
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
2018-37	23 May 2018	Announcement on Carrying out the Business of Asset Securitization of Accounts Receivable	Securities Times B17, Ta Kung Pao B4
2018-38	23 May 2018	Notice on Convening the 2 nd Extraordinary General Meeting of 2018	Securities Times B17, Ta Kung Pao B4
2018-39	25 May 2018	Announcement on Signing the Strategic Cooperation Agreement with CMS Zhiyuan Capital	Securities Times B32, Ta Kung Pao B8

2018-40	29 May 2018	Announcement on the Implementation of Dividend Plan of 2017	Securities Times B114, Ta Kung Pao B14
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
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
2018-43	8 June 2018	Announcement on the Resolution of the 2 nd Extraordinary General Meeting of 2018	Securities Times B40, Ta Kung Pao B5
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
2018-45	16 June 2018	Announcement on the Resolution of the 44 th Meeting of the 8 th Board of Directors	Securities Times B29, Ta Kung Pao B6
2018-46	16 June 2018	Announcement on the Transfer of 51% Equities of Kunshan Kangsheng and Related-party Transactions	Securities Times B29, Ta Kung Pao B6
2018-47	16 June 2018	Indicative Announcement on the Expectation of Winning the Bid of the Project	Securities Times B4, Ta Kung Pao B6
2018-48	20 June 2018	Announcement on the Progress of Offering Guarantees to the wholly-owned subsidiary	Securities Times B52, Ta Kung Pao B1
2018-49	22 June 2018	Announcement on the Progress of Offering Guarantees to the Majority-owned Subsidiary	Securities Times B29, Ta Kung Pao B6

2018-50	28 June 2018	Announcement on the Resolution of the 45 th Meeting of the 8 th Board of Directors	Securities Times B44, Ta Kung Pao B7
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
2018-52	28 June 2018	Announcement on Information Disclosure of Voluntariness of Receiving Letter of Acceptance	Securities Times B44, Ta Kung Pao B7
2018-53	3 July 2018	Announcement on Progress of Transfer of 51% Equities of Kunshan Kangsheng and Related-party Transactions	Securities Times B52, Ta Kung Pao B5
2018-54	3 July 2018	Announcement on Progress of Providing Guarantees for Wholly-owned Subsidiaries	Securities Times B52, Ta Kung Pao B5
2018-55	4 July 2018	Announcement on the Changes of Consulting Telephone of the Company's Investors	Securities Times B77, Ta Kung Pao B6
2018-56	14 July 2018	Announcement on the 2018 Interim Earnings Forecasts	Securities Times B21, Ta Kung Pao A18
2018-57	8 August 2018	Announcement on Volunteer Information Disclosure of Pre-winning the Bid for Project	Securities Times B33, Ta Kung Pao B7
2018-58	9 August 2018	Announcement on Progress of Providing Guarantees for Overseas Wholly-owned Subsidiaries	Securities Times B41, Ta Kung Pao B2
2018-59	11 August 2018	Announcement on Joint-stock Company's Winning the Bid for Land Use Right	Securities Times B33, Ta Kung Pao B1
2018-60	14 August 2018	Announcement on Resolutions of the 47 th Meeting of the 8 th Board of	Securities Times B21, Ta Kung Pao A18

		Directors	
2018-61	14 August 2018	Indicative Announcement on Construction of Zibo High-End Equipment Industrial Park by Investing	Securities Times B21,Ta Kung Pao A18
2018-62	14 August 2018	Indicative Announcement on Establishing Nanjing K-Star Cloud Network Headquarters by Investing	Securities Times B25,Ta Kung Pao A18
2018-63	21 August 2018	Announcement on Offering Overseas Loan under Domestic Guarantee to Foreign Wholly-owned Subsidiary	Securities Times B60,Ta Kung Pao B4
2018-64	23 August 2018	Announcement on Volunteer Information Disclosure of Receiving the Letter of Acceptance	Securities Times B29,Ta Kung Pao B6
2018-65	31 August 2018	Announcement on the 2018 Interim Report	
2018-66	31 August 2018	Announcement on the Abstract of the 2018 Interim Report	Securities Times B48,Ta Kung Pao B4
2018-67	7 September 2018	Announcement on Completion of Record Registration of Private Placement Fund for the Industrial M&A Fund Initiated by the Company	Securities Times B32,Ta Kung Pao A18
2018-68	19 September 2018	Announcement on Resolutions of the 49 th Meeting of the 8 th Board of Directors	Securities Times B81,Ta Kung Pao B4
2018-69	19 September 2018	Announcement on Providing Financial Aid to Sanjiang Real Estate Co., Ltd. and Related-party Transactions	Securities Times B82,Ta Kung Pao B4
2018-70	19 September 2018	Announcement on Providing Guarantee Line for Joint-stock Companies and Related-party Transactions	Securities Times B81,Ta Kung Pao B4

2018-71	19 September 2018	Announcement on External Guarantees	Securities Times B81,Ta Kung Pao B4
2018-72	19 September 2018	Notice on Convening the 3 rd Extraordinary General Meeting of 2018	Securities Times B82,Ta Kung Pao B4
2018-73	21 September 2018	Announcement on Progress of Providing Guarantees for Wholly-owned Subsidiaries	Securities Times B84,Ta Kung Pao B6
2018-74	22 September 2018	Announcement on Reduction of Shares of Shareholders	Securities Times B25,Ta Kung Pao B5
2018-75	26 September 2018	Announcement on Signing Strategic Cooperation Agreement with Shenzhen Binhai Fund Management Co., Ltd.	Securities Times B20,Ta Kung Pao B2
2018-76	9 October 2018	Announcement on the 3 rd Extraordinary General Meeting of 2018	Securities Times B9,Ta Kung Pao A18
2018-77	13 October 2018	Announcement on Progress of Providing Guarantees for Majority-owned Subsidiaries	Securities Times B45,Ta Kung Pao B3
2018-78	13 October 2018	Announcement on the 2018 First Quarter Earnings Forecasts	Securities Times B45,Ta Kung Pao B3
2018-79	17 October 2018	Announcement on Resolutions of the 50 th Meeting of the 8 th Board of Directors	Securities Times B28,Ta Kung Pao B5
2018-80	17 October 2018	Announcement on External Investments	Securities Times B28,Ta Kung Pao B5
2018-81	24 October 2018	Announcement on Receiving No Objection Letter on the Private Placement of the Company's corporate bonds in 2018 Meeting the Transfer Conditions of Shenzhen Stock Exchange	Securities Times B149,Ta Kung Pao B10

2018-82	27 October 2018	Announcement on Winning the Bidding for Land for Project of K-Star Cloud Network Headquarters	Securities Times B80, Ta Kung Pao B5
2018-83	31 October 2018	2018 Third Quarter Report	
2018-84	31 October 2018	Text of the 2018 Third Quarter Report	Securities Times B52, Ta Kung Pao B6
2018-85	31 October 2018	Announcement on Resolutions of the 51 st Meeting of the 8 th Board of Directors	Securities Times B52, Ta Kung Pao B6
2018-86	31 October 2018	Announcement on External Guarantees	Securities Times B52, Ta Kung Pao B6
2018-87	31 October 2018	Announcement on Volunteer Information Disclosure of Project Pre-concluded	Securities Times B88, Ta Kung Pao B6
2018-88	13 November 2018	Announcement on Volunteer Information Disclosure of Receiving Notice of Business Conclusion	Securities Times B24, Ta Kung Pao B3
2018-89	14 November 2018	Announcement on Progress of Providing Guarantees for Wholly-owned Subsidiaries	Securities Times B20, Ta Kung Pao B5
2018-90	17 November 2018	Announcement on Resolutions of the 52 nd Meeting of the 8 th Board of Directors	Securities Times B33, Ta Kung Pao B7
2018-91	17 November 2018	Announcement on Resolutions of the 21 st Meeting of the 8 th Supervisory Committee	Securities Times B33, Ta Kung Pao B7
2018-92	17 November 2018	Notice on Convening the 4 th Extraordinary General Meeting of 2018	Securities Times B33, Ta Kung Pao B7
2018-93	30 November 2018	Announcement on Progress of Providing Guarantees for Majority-owned Subsidiaries	Securities Times B32, Ta Kung Pao A18

2018-94	30 November 2018	Announcement on General Election of Employee Supervisors	Securities Times B32,Ta Kung Pao A18
2018-95	3 December 2018	Announcement on Resolutions of the 4 th Extraordinary General Meeting of 2018	Securities Times B64,Ta Kung Pao B6
2018-96	5 December 2018	Announcement on Resolutions of the 1 st Meeting of the 9 th Board of Directors	Securities Times B25,Ta Kung Pao A21
2018-97	5 December 2018	Announcement on Resolutions of the 1 st Meeting of the 9 th Supervisory Committee	Securities Times B25,Ta Kung Pao A21
2018-98	5 December 2018	Announcement on Establishing Konka (Chuzhou) Smart Appliances and Equipment Industrial Park by Investing and Government's Intention to Acquire Plant Land of Anhui Konka	Securities Times B25,Ta Kung Pao A21
2018-99	5 December 2018	Announcement on Progress of Providing Guarantees for Majority-owned Subsidiaries	Securities Times B25,Ta Kung Pao A21
2018-100	22 December 2018	Announcement on Progress of Providing Guarantees for Majority-owned Subsidiaries	Securities Times B17,Ta Kung Pao B3
2018-101	25 December 2018	Announcement on Resolutions of the 2 nd Meeting of the 9 th Board of Directors	Securities Times B32,Ta Kung Pao B5
2018-102	25 December 2018	Announcement on Assignment of Shares of Chuzhou Huike Intelligent Household Appliance Industrial Investment Partnership (Limited Partnership)	Securities Times B32,Ta Kung Pao B5

XX 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 the 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

Progress on any share repurchases:

Applicable Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

Applicable Not applicable

Effects of share changes on the basic and 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

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable Not applicable

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	89,196	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	88,015	Number of preferred shareholders with resumed voting rights (if any)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0	
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen	
							Statu s	Sha res
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%	56,139,100	89,276	0	56,139,100		
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 legal person	2.19%	52,801,250	0	0	52,801,250		
ZHANG XIAOYU	Domestic natural person	0.99%	23,835,278	23,835,278	0	23,835,278		
CHINA MERCHANTS SECURITIES (HK) LIMITED	State-owned legal person	0.93%	22,475,124	643,104	0	22,475,124		

NAM NGAI	Foreign 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	0.81%	19,530,380	-686,480	0	19,530,380		
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 49 SINGLE CAPITAL TRUST	Other	0.72%	17,408,616	10,272,514	0	17,408,616		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties among the shareholders above	Happy Bloom Investment Limited, a wholly-owned 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. Happy Bloom 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 shareholders								
Name of shareholder	Unrestricted shares held at the period-end	Shares by type						
		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	56,139,100	Domestically listed foreign stock	56,139,100					
GUOYUAN SECURITIES BROKER (HK) CO., LTD.	54,203,779	Domestically listed foreign stock	54,203,779					
GAOLING FUND, L.P.	52,801,250	Domestically listed foreign stock	52,801,250					
ZHANG XIAOYU	23,835,278	RMB-denominated	23,835,278					

		ordinary stock	
CHINA MERCHANTS SECURITIES (HK) LIMITED	22,475,124	Domestically listed foreign stock	22,475,124
NAM NGAI	21,712,140	Domestically listed foreign stock	21,712,140
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 48 SINGLE CAPITAL TRUST	19,530,380	RMB-denominated ordinary stock	19,530,380
YUNNAN INTERNATIONAL TRUST CO., LTD-JULI NO. 49 SINGLE CAPITAL TRUST	17,408,616	RMB-denominated ordinary stock	17,408,616
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Happy Bloom Investment Limited, a wholly-owned 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. Happy Bloom 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 involved in securities margin trading (if any) (see note 4)	Zhang Xiaoyu holds 23,835,278 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 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a central state-owned legal person

Type of the controlling shareholder: legal person

Name of actual controller	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
Overseas Chinese Town Enterprises Co.	Duan Xiannian	11 November 1985	91440300190346175 T	Export of textile, light industrial products, etc; import of self-used goods in Shenzhen, mechanical equipment, light industrial products, etc. as approved by the relevant authorities of

				Shenzhen (under Government Document JMB [92] WJMGTSZZ No. A19024); compensation trade; investment in tourism and relevant cultural industry (including art performance, entertainment and their services, etc), industry, real estate, commerce & trade, packaging, decoration and investment in printing industry. The convert of export commodities into domestic sale and the domestic sales of import commodities. Travelling, rental of warehouses, culture and art, bonded warehouse of car donation, convention and exhibition services (the projects involved in license management can be operated after getting the relevant license first); sales of automobile (sedan car included)
Actual controller's holdings in other listed companies at home or abroad in the Reporting Period	As of 31 December 2018, Overseas Chinese Town Enterprises Co. held 47.38% equity of Shenzhen Overseas Chinese Town Co., Ltd. (a company listed on the main Board of Shenzhen Stock Exchange, SZ. 000069). Meanwhile, Shenzhen Overseas Chinese Town Co., Ltd. indirectly held 70.94% equity of OCT (Asia) Holdings Ltd. (a company listed on the main Board of Hong Kong Stock Exchange, 3366.HK). Overseas Chinese Town Enterprises Co. indirectly held 49.52% equity of Yunnan Tourism Co., Ltd (a company listed on the SME Board of Shenzhen Stock Exchange, SZ.002059) through increasing capital to Yunnan Expo Tourism Group Holdings., Ltd.			

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Its Acting-in-Concert Parties

Nature of the actual controller: Central institution for state-owned assets management

Type of the actual controller: legal person

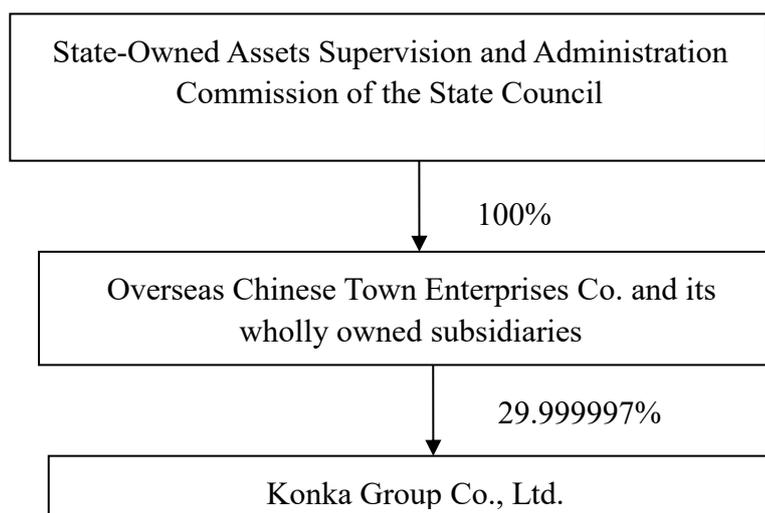
Name of actual controller	Legal representative/ person in charge	Date of establishment	Unified social credit code	Principal activity
State-owned Assets Supervision and Administration Commission of the State Council	Hao Peng		Not applicable	Not applicable
Other listed companies at home or abroad controlled by the actual controller in the Reporting Period				Not applicable

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

4. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

In September 2018, Shenzhen Overseas Chinese Town Capital Investment Management Co., Ltd., a

wholly-owned subsidiary of OCT Group, the controlling shareholder of the Company, reduced its holding of 7,183,800 shares of the Company through secondary market trading. Before the reduction, OCT Group and its wholly-owned subsidiaries Happy Bloom Investment Limited and Shenzhen Overseas Chinese Town Capital Investment Management Co., Ltd. held a total of 729,567,342 Konka Group-A-shares (000016) and B-shares (200016) (unrestricted ordinary shares), accounting for 30.298334% of the Company's equity. After the reduction, the aforementioned three shareholders hold a total of 722,383,542 Konka Group-A shares (000016) and B-shares (200016) (unrestricted ordinary shares), accounting for 29.999997% of the Company's total share capital.

Part VII Preferred Shares

Applicable Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning share holding	Increase in the Reporting Period	Decrease in the Reporting Period	Other increase/decrease	Ending share holding
Liu Fengxi	Director and Chairman of the Board	Incumbent	Male	47	3 December 2018	3 December 2021	0	0	0	0	0
He Haibin	Director	Incumbent	Male	45	3 December 2018	3 December 2021	0	0	0	0	0
Zhang Jing	Director	Incumbent	Male	37	3 December 2018	3 December 2021	0	0	0	0	0
Zhou Bin	Director	Incumbent	Male	40	3 December 2018	3 December 2021	0	0	0	0	0
Sun Shengdian	Independent director	Incumbent	Male	64	3 December 2018	3 December 2021	0	0	0	0	0
Wang Shuguang	Independent director	Incumbent	Male	48	3 December 2018	3 December 2021	0	0	0	0	0
Deng Chunhua	Independent director	Incumbent	Female	56	3 December 2018	3 December 2021	0	0	0	0	0
Wang Youlai	Supervisor, chairman of the Supervisory Committee	Incumbent	Male	58	3 December 2018	3 December 2021	0	0	0	0	0
Yang Guobin	Supervisor	Incumbent	Male	50	3 December 2018	3 December 2021	0	0	0	0	0
Li Jun	Employee supervisor	Incumbent	Male	48	29 November	3 December 2021	0	0	0	0	0

					2018						
Zhou Bin	President	Incumbent	Male	40	10 March 2017	10 March 2020	0	0	0	0	0
He Jianjun	Vice president	Incumbent	Male	49	10 March 2017	10 March 2020	0	0	0	0	0
Li Hongtao	Vice president	Incumbent	Male	51	10 March 2017	10 March 2020	0	0	0	0	0
Wu Yongjun	Board Secretary	Incumbent	Male	44	10 March 2017	10 March 2020	0	0	0	0	0
Li Chunlei	CFO	Incumbent	Male	46	10 March 2017	10 March 2020	0	0	0	0	0
Yang Bo	Vice president	Incumbent	Male	49	10 March 2017	10 March 2020	0	0	0	0	0
Cao Shiping	Vice president	Incumbent	Male	41	10 March 2017	10 March 2020	0	0	0	0	0
Sun Qingyan	Vice president	Incumbent	Male	47	18 April 2017	10 March 2020	26,000	0	0	0	26,000
Jin Qingjun	Director	Former	Male	62	28 May 2015	3 December 2018	0	0	0	0	0
Xiao Zuhe	Independent director	Former	Male	53	28 May 2015	3 December 2018	0	0	0	0	0
Zhang Shuhua	Independent director	Former	Male	54	28 May 2015	3 December 2018	0	0	0	0	0
Hao Gang	Supervisor	Former	Male	46	28 May 2015	3 December 2018	0	0	0	0	0
Hao Gang	Chairman of the Supervisory Committee	Former	Male	46	4 June 2015	3 December 2018	0	0	0	0	0
Total	--	--	--	--	--	--	26,000	0	0	0	26,000

II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
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Liu Fengxi	Director	Engaged	3 December 2018	Elected as director through shareholders meeting
Liu Fengxi	Chairman of the Board	Engaged	3 December 2018	Elected as Chairman of the Board through Board of Directors
He Haibin	Director	Engaged	3 December 2018	Elected as director through shareholders meeting
Zhang Jing	Director	Engaged	3 December 2018	Elected as director through shareholders meeting
Zhou Bin	Director	Engaged	3 December 2018	Elected as director through shareholders meeting
Sun Shengdian	Independent director	Engaged	3 December 2018	Elected as independent director through shareholders meeting
Wang Shuguang	Independent director	Engaged	3 December 2018	Elected as independent director through shareholders meeting
Deng Chunhua	Independent director	Engaged	3 December 2018	Elected as independent director through shareholders meeting
Wang Youlai	Supervisor	Engaged	3 December 2018	Elected as supervisor through shareholders meeting
Wang Youlai	chairman of the Supervisory Committee	Engaged	3 December 2018	Elected as chairman of the Supervisory Committee through the Supervisory Committee
Yang Guobin	Supervisor	Engaged	3 December 2018	Elected as supervisor through shareholders meeting
Li Jun	Employee supervisor	Engaged	29 November 2018	Elected as employee supervisor through congress of works and staff
Jin Qingjun	Director	Expired	3 December 2018	The service term was expired
Xiao Zuhe	Independent director	Expired	3 December 2018	The service term was expired
Zhang Shuhua	Independent director	Expired	3 December 2018	The service term was expired
Hao Gang	Supervisor	Expired	3 December 2018	The service term was expired
Hao Gang	Chairman of the Supervisory Committee	Expired	3 December 2018	The service term was expired

III Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

1. Director

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

He Haibin, male, born in 1974, a senior accountant, was a director of the Company with a master degree. He once worked as the Chief of Audit Department and Financial Department in Overseas Chinese Town Group Corporation, as Principal of Finance in Planning Department of the Crowne Plaza Shenzhen, as CFO in Shenzhen OCT Seaview Hotel Co., Ltd., as CFO in InterContinental Shenzhen, as Vice CFO in Overseas Chinese Town Group Corporation and as CFO in Overseas Chinese Town Hong Kong Limited, GM of OCT Capital Investment Management Co., Ltd., the Chief Accountant of Shenzhen OCT Co., Ltd., and Chief of Business Management Division in Overseas Chinese Town Enterprises Co. etc. Now he serves as the Standing Committee and Board Secretary the Chief Accountant of Overseas Chinese Town Group Corporation, and the Chairman of the Board of Shenzhen OCT Capital Investment Management Co., Ltd, director of OCT (Yunnan) Investment Co., Ltd, Executive Director of Overseas Chinese City (Asia) Holding Co., Ltd., as well as a director of Konka Group.

Zhang Jing, Director, male, was born in 1982, MBA. He served as Manager of the CEO's Office in OCT Group, Senior Manager of the Strategic Development Department in Shenzhen OCT Co., Ltd., a member of the Preparatory Work Group of Qingdao OCT, Director of the Administration Department (Deputy Director of the Party Committee Office) in Shenzhen OCT Properties Co., Ltd., Deputy Director and Director of the Strategic Development Department in Shenzhen OCT Co., Ltd., General Manager of the Strategic Planning Department in OCT Group, General Manager of the Corporate Management Department in OCT Group, and Director of the Corporate Management Department in Shenzhen OCT Co., Ltd.. Currently, he serves as Executive Deputy General Manager of OCT West Investment Co., Ltd., Chairman and General Manager of Xi'an OCT Industry Co., Ltd., Chairman and General Manager of Xi'an Qujiang OCT Investment Development Co., Ltd., General Manager of Xi'an OCT Land Co., Ltd., General Manager of Xi'an Fengdong OCT Development Co., Ltd., Director of OCT (HK) Co., Ltd., Non-Executive Director of OCT (Asia), Chairman of OCT (Beijing) Business Management Co., Ltd., Vice Chairman of Huawan Healthy Industry Development Co., Ltd., Director of OCT (Yunnan) Investment Co., Ltd. and Director of Konka Group.

Zhou Bin, male, born in 1979, was the director and president of the Company with a bachelor degree. He once served as the director assistant, deputy director and director in Operating Management Center in Konka Group, assistant of the president in the Board of Directors and

Director in Operating Management Center and others. Now, he acts as the director and president in Konka Group.

2. Independent Director

Sun Shengdian, a male senior economist, born in 1955, was the independent director of the Company with a doctor degree in engineering. Formerly vice GM, deputy secretary of the Party committee, GM and president of Shenzhen SEG, Hitachi Color Display Devices Co., Ltd., president, secretary of Party Committee of Shenzhen SEG Group Co., Ltd. director of Shenzhen China Star Optoelectronics Technology Co., Ltd., independent director of Skyworth Holding Ltd., and the head of Shenzhen Electronics Industries Association. Now, he serves as the vice president of Shenzhen Huakong SEG Co., Ltd., the director of China Vanke Co., Ltd, and independent director of Konka Group.

Wang Shuguang, Independent Director, male, was born in 1971, PhD in economics, professor and doctoral supervisor. He served as Independent Director of Yantai Rural Commercial Bank, Jinan Rural Commercial Bank, Ningbo Yuyao Rural Commercial Bank and SDIC Zhonglu, and External Supervisor and Convener of the Board of Supervisors of Industrial Bank Co., Ltd. Currently, he serves as Professor and Doctoral Supervisor in the School of Economics of Peking University, Executive Deputy Director of the Institute for Cultural Industries, Peking University and Independent Director of Konka Group.

Deng Chunhua, Independent Director, female, ethnic group of Han, born in 1963, MBA, professor and master's supervisor of accounting, Certified Public Accountant in China (non-practicing member). She served as Chief Accountant and Project Manager of WUYIGE Certified Public Accounts LLP, Zhongnan University of Economics and Law, Member of the Fifth Session of the Corporate Special Committee of the Chinese Association of Quantitative Economics and Member of the Professional Jury Committee of Hubei Administration of Sport. From July 1984 till now, she has been teaching in the School of Accounting of Zhongnan University of Economics and Law as Assistant Lecturer, Lecturer, Associate Professor and Professor. Currently, she serves as Independent Director of Jiangsu Pomlead Co., Ltd and Independent Director of Konka Group.

3. Supervisor

Wang Youlai, a male engineer, born in 1961, was the chairman of the Supervisory Committee of the Company with a doctor degree. He formerly worked as the business manager of the Quality Department in Konka Group, assistant GM, vice GM, and vice president of Konka Group, Deputy Director and Director of the Administration Department of Overseas Chinese Town Enterprise Co., and joint party secretary of General Headquarters. Presently he is working as joint party secretary of General Headquarters in Overseas Chinese Town Enterprises Co. and director of Shenzhen Guangming Group Co., Ltd and OCT (Hainan) Group Co., Ltd, and the chairman of the Supervisory Committee of Konka Group.

Yang Guobin, Supervisor, male, was born in 1969, Bachelor's Degree, Certified Public Accountant. He served as Deputy Director of the Finance Department of OCT Group, CFO of Konka Group and Deputy Director of the Corporate Management Department of OCT Group. Currently, he serves as a full-time Director in OCT Group, Director of Shenzhen Guangming Group and Supervisor of

Konka Group.

Li Jun, male, born in 1971, member of Communist Party, was an employee supervisor of the Company with a bachelor degree. Formerly worked as the financial manager of Nanchang Branch of Telecommunications Technology Co., Ltd., Senior Manager of the Financial Department in Telecommunications Technology Co., Ltd., the Senior Manager and assistant to the chief and deputy director of Auditing and Legal Affairs Department in Konka Group, leader of discipline inspection commission of Konka Group, and employee supervisor of the 8th Supervisory Committee of konka Group. Presently working as the full-time deputy secretary of discipline inspection commission of Konka Group, the director of Discipline inspection and Supervision Center, vice chief of the Auditing and Legal Affairs Department, GM of the Internal Control and Risk Management Department.

4. Senior Executive

Zhou Bin, male, born in 1979, was the director and president of the Company with a bachelor degree. He once served as the director assistant, deputy director and director in Operating Management Center in Konka Group, assistant of the president in the Board of Directors and Director in Operating Management Center and others. Now, he acts as the director and president in Konka Group.

He Jianjun, a male economist, Han nationality, born in 1969, was the vice president of the Company with a bachelor degree. He has served successfully as Deputy Chief of Secretariat of the Board, Deputy Chief and Chief of Strategic Development Dept. and Secretary to the Board as well as vice president in Konka Group, etc. He now is acting as Vice President of Konka Group.

Li Hongtao, male, Han nationality, born in 1968, was the vice president of the Company with a bachelor degree. He successively took the post such as Assistant to GM, GM, Chairman of the Board and GM of Shenzhen Konka Telecommunication Technology Co., Ltd and Assistant to President and vice president of Konka Group etc. He now is acting as Vice President of Konka Group.

Wu Yongjun, male, Han nationality, born in 1975, was the Board Secretary with a master degree. Formerly he worked as the senior manager of Secretariat, assistant to the chief, vice chief, chief, Securities Affairs representative and Board Secretary in Konka Group. Presently he is working as the secretary of the board of directors of Konka Group.

Li Chunlei, male, Han nationality, born in 1973, was the CFO of the Company with a master degree. Once served as the director in Real Estate Business Division in Konka Group, vice GM and GM in Kunshan Kangsheng Investment Development Co., Ltd., deputy director (preside the work) and director in Strategic Development Center, GM in Financial Center and GM in Asset Settlement Center and others, now he acts as the CFO in Konka Group.

Yang Bo, male, Han nationality, born in 1970, was the vice president of the Company with a master

degree. Once served as the director in Shenzhen Cable Television Education Financial Channel, director in the market sales and support region of US Tailiyang Communications Company, GM in Program Operating Department in Shenzhen Topway Video Communication Co., Ltd., director and GM in Shenzhen Tianhua Century Media Co., Ltd., GM in Market Sales Center in Shenzhen Topway Video Communication Co., Ltd. and others, he acts as the vice president in Konka Group presently.

Cao Shipping, male, Han nationality, born in 1978, was the vice president of the Company with a master degree. Once served as the GM in Jinzhou Branch and Tianjin Branch of Konka Group Multi-media, GM in Multi-media Business Division Customer Cooperation Department, vice GM in Multi-media Marketing Business Division, vice GM in Multi-media Business Division and GM in Marketing Center, GM in Multi-media Business Division, GM in Internet Business Division and others, he acts as the vice president in Konka Group.

Sun Qingyan, a male senior economist, Han nationality, born in 1972, was the vice president of the Company with a doctor degree. Once served as the tutor in Northeast University of Finance and Economics, vice GM in Shenzhen Huaixin Enterprise Investment Consulting Co., Ltd., CEO in Shenzhen Xinheng Lida Capital Management Co., Ltd., vice GM in Shanying Investment Management Co., Ltd., GM in Shenzhen Shenwo Asset Management Co., Ltd. and others, he now acts as the vice president of Konka Group.

Offices held concurrently in shareholding entities:

√Applicable □Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liu Fengxi	OCT Enterprises Co.	Party Committee Standing Committee and vice GM	22 February 2016		Yes
He Haibin	OCT Enterprises Co.	Party Committee Standing Committee, Board Secretary, and chief accountant	30 January 2018		Yes
	Shenzhen OCT Capital Investment Management Co., Ltd	Chairman of the Board	8 February 2018		
	OCT (Yunnan) Investment Co., Ltd	Director	18 December 2018		
	Overseas Chinese City (Asia) Holding Co., Ltd.	Executive director	5 JUN 2017		
Zhang	Overseas Chinese Town (Asia)	Non-executive director	30 March 2017		Yes

Jing	Holdings Limited				
	OCT (Beijing) Business Management Co., Ltd.	Chairman of the Board	31 March 2017		
	OCT (Yunnan) Investment Co., Ltd	Director	18 January 2018		
	OCT West Investment Co., Ltd.	Deputy General Manager	14 March 2019		
	Xi'an OCT Industry Co., Ltd.	Chairman of the Board, GM	14 March 2019		
	Xi'an Qujiang OCT Investment Development Co., Ltd.	Chairman of the Board, GM	14 March 2019		
	Xi'an OCT Land Co., Ltd	GM	14 March 2019		
	Xi'an Fengdong OCT Development Co., Ltd	GM	14 March 2019		
	Huawan Health Industry Development Co., Ltd.	Vice Chairman	21 September 2018		
Wang Youlai	OCT Enterprises Co.	Full-time director	7 March 2018		Yes
	Shenzhen Guangming Group Co., Ltd	Director	25 April 2018		
	OCT (Hainan) Group Co., Ltd	Director	29 May 2018		
Yang Guobin	OCT Enterprises Co.	Full-time director in Board Office	7 March 2018		Yes
Notes	<p>1. Except the above situation, other directors, supervisors and senior management didn't hold any position in the shareholders' units.</p> <p>2. It is unknown the ending date of the posts of Mr. Liu Fengxi, Mr. He Haibin, Mr. Zhang Jing, Mr. Wang Youlai, and Mr. yang Guobin held in the shareholders' units.</p>				

Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Sun Shengdian	Shenzhen Huakong SEG Co., Ltd	Vice president	8 April 2013		
Sun Shengdian	China Vanke Co., Ltd	Director	30 June 2018		Yes
Wang Shuguang	School of Economics of Peking University	Professor			Yes
Wang Shuguang	Institute for Cultural Industries of Peking University	Deputy director			
Deng Chunhua	Zhongnan University of Economics and Law	Professor			Yes

Deng Chunhua	Jiangsu Pomlead Co., Ltd	Independent director			
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Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

1. The salary of directors and supervisors of the Company should be submitted to the shareholders meeting for review after the approval and consent by the Board of directors.

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

Other treatment for independent directors: travel expense when they went to attend the Board sessions, Supervisory sessions or Shareholders' General Meetings and the expenses when they were performing their duties as stipulated in the relevant regulations and the Articles of Association and other relevant systems, all these could be reported for deletion.

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

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/ Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liu Fengxi	Chairman of the Board and CEO	Male	47	Incumbent	7.21	Yes
He Haibin	Director	Male	45	Incumbent	0	No

Zhang Jing	Director	Male	37	Incumbent	0	Yes
Zhou Bin	Director and president	Male	40	Incumbent	395.24	Yes
Sun Shengdian	Independent director	Male	64	Incumbent	7.5	No
Wang Shuguang	Independent director	Male	48	Incumbent	2.5	No
Deng Chunhua	Independent director	Female	56	Incumbent	2.5	No
Wang Youlai	Chairman of the Supervisory Committee	Male	58	Incumbent	0	Yes
Yang Guobin	Supervisor	Male	50	Incumbent	0	Yes
Li Jun	Employee supervisor	Male	48	Incumbent	105.49	No
He Jianjun	Vice president	Male	49	Incumbent	236.13	No
Li Hongtao	Vice president	Male	51	Incumbent	228.64	No
Wu Yongjun	Board secretary	Male	44	Incumbent	236.20	No
Li Chunlei	CFO	Male	46	Incumbent	216.63	No
Yang Bo	Vice president	Male	49	Incumbent	189.86	No
Cao Shiping	Vice president	Male	41	Incumbent	251.37	No
Sun Qingyan	Vice president	Male	47	Incumbent	171.15	No
Jin Qingjun	Director	Male	62	Former	27.5	No
Xiao Zuhe	Independent director	Male	53	Former	27.5	Yes
Zhang Shuhua	Independent director	Male	54	Former	27.5	No
Hao Gang	Chairman of the Supervisory Committee	Male	46	Former	0	No
Total					2132.92	

Equity incentives for directors, supervisors and senior management in the Reporting Period:

Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	1, 826
Number of in-service employees of major subsidiaries	17, 139

Total number of in-service employees	18,965
Total number of paid employees in the Reporting Period	18,965
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Production	9,286
Sales	6,106
Technical	1,467
Financial	680
Administrative	1,426
Total	18,965
Educational backgrounds	
Educational background	Employees
Master and above	164
Bachelor	2,592
Junior college	7,133
High school and below	9,076
Total	18,965

2. Employee Remuneration Policy

The Company promulgated its remuneration system with the operating strategy of serving for the enterprise development and enhancement, and the principle of deciding the remuneration according to the post, business performance and capabilities, as well as the market competitiveness and internal fairness. And it decided the employee's remuneration level according to its business earnings, the posts and fulfillment of the business performance of the employee.

3. Employee Training Plans

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

In 2018, guided by closing to the business needs, the Company centralized the superior resources to

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

4. Labor Outsourcing

Applicable Not applicable

Part IX Corporate Governance

I General Information of Corporate Governance

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

(I) Shareholders and the Shareholders' General Meeting

The Company drew up Articles of Association and Rules for Procedure of Shareholders' General Meeting, ensured that all shareholders, in particular medium and minor shareholders, enjoy legal rights and equal standard. In the Reporting Period, the Company was able to publish announcement on Shareholders' General Meetings in advance, convened Shareholders' General Meeting with strictly accordance to relevant requirements, so as to enable the shareholders have their rights of information to the Company's material issues and the participation rights. In 2018, the Company convened five Shareholders' General Meeting in total. The Company seriously did well the registration, arrangement and organization work for the Shareholders' General Meeting before the circular on convening the Shareholders' General Meeting being published at the designated media. The Company convened the Shareholders' General Meeting at the office address of the Company strictly in line with relevant stipulations, which was convenient in traffic, and the shareholders could attend the session in accordance with their actual situation. The Company's directors, supervisors and senior management staffs made explanations and description for the shareholders' questions and advices at the session.

(II) Controlling shareholder and the Company

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

(III) Directors and the Board of Directors

The number and structure of the Board Bureau of the Company were in compliance with laws and regulations. The Company drew up Rules for Procedures of the Board Bureau, so as to ensure a high efficient operation and scientific decision-making of the Board Bureau; the Company has set up Independent Director System and engaged three independent directors. In the Reporting Period, the number of directors and composition of the Board of Directors of the Company as well as the procedure of selection was in accordance with the requirements of the rules and laws as well as Articles of Association. The Company set up four special committees, which were Financial Audit Committee, Nomination Committee, Remuneration & Appraisal Committee, Strategy Committee to provide profession opinion for the decision of the Board of Directors. All the directors carried out their work, fulfilled their duties and scrupulously attended the Board sessions in accordance with Rules of Procedure for the Board of Directors, Rules for Independent Directors, etc. 15 Board sessions were convened by the Company during the Reporting Period, which brought the decision-making mechanism of the Board of Directors into full play.

(IV) Supervisors and supervisory committee

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

(V) Performance Appraisal and Incentive & Restrictive Mechanism

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

(VI) Interested parties

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

cause so as to jointly promote sustainable and healthy development.

(VII) Information disclosure and transparency

The Company formulated the Management System for Investor Relations and the Management System for Information Disclosure and the Rules on Implementation for Information Disclosure Committee. And the Company designated specially-assigned person to take charge of the information disclosure, and designated specialized department to be responsible for the reception of shareholders and consultation, actively carrying out the work for investor relations management to ensure equal access to information for all shareholders. The Company strictly complied with the requirements of the laws, regulations and the Articles of Association to disclose its information as required by the relevant regulations on a timely, honest, complete and accurate basis, to ensure the accurate and timely information disclosure, while ensure equal access to information for all shareholders.

(VIII) Non-standard governance

1. Type of non-standard governance matter existed

There was a situation that the Company disclosed undisclosed information.

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

The Company provided monthly financial data to the principal shareholder.

3. Reasons for the related non-standard governance existed

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

4. Impact on Company independence

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

(IX) Development of company’s special governance activity, formulation and implementation of registration and management system for the insider of inside information

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

To further standardize the company’s inside information management behavior, strengthen the company’s inside information confidential work, and maintain the fair principle of information

disclosure, the company established Inside Information and Insider Management System in Konka Group Co., Ltd. The company strictly implements the system in the information disclosure work, meanwhile, carefully implements the company's inside information and insider registration and management method, registers the insider of inside information, and report to Shenzhen Stock Exchange and Shenzhen Security Regulatory Bureau according to the provision.

The company conducted the special inspection on the inside information management during the occurrence of major event in 2018 and the annual report in 2018. After the inspection, the company actually realized that the insider of inside information strictly kept the confidential provision, did not disclose, divulge and spread the company's inside information to the outside, the insider of inside information did not buy and sell the company's share with the inside information before disclosing the major sensitive information influencing the company's share price, there was no investigation and rectification from the regulatory department during the editing, review and disclosure of regular report and major event. Management Rules for Inside Information and Insider Management System was implemented in place and controlled effectively.

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

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

The company conducted the special inspection on the inside information reporting status during the occurrence of major event in 2018 and the annual report in 2018. After the inspection, the company's inside information reporting status complies with the requirements in Inside Information Reporting Management System. Inside Information Reporting Management System was implemented in place and controlled effectively.

Indicate by tick market whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

Yes No

No such cases in the Reporting Period.

II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

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

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

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

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

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

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

III Horizontal Competition

Applicable Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participati on ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 2017 Annual General Meeting	Annual General Meeting	32.80%	23 April 2018	24 April 2018	/http://www.cninfo.com.cn/new/index
The 1 st Extraordinary General	Extraordinary	2.52%	3 May 2018	4 May 2018	

Meeting of 2018	General Meeting			
The 2 nd Extraordinary General Meeting of 2018	Extraordinary General Meeting	32.85%	7 June 2018	8 June 2018
The 3 rd Extraordinary General Meeting of 2018	Extraordinary General Meeting	24.30%	8 October 2018	9 October 2018
The 4 th Extraordinary General Meeting of 2018	Extraordinary General Meeting	32.71%	3 December 2018	4 December 2018

2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Sun Shengdian	15	5	10	0	0	No	2
Xiao Zuhe	13	4	9	0	0	No	0
Zhang Shuhua	13	4	9	0	0	No	0
Wang Shuguang	2	1	1	0	0	No	0
Deng Chunhua	2	1	1	0	0	No	0

Why any independent director failed to attend two consecutive board meetings:

Not applicable.

2. Objections Raised by Independent Directors on Matters of the Company

Indicate by tick mark whether any independent directors raised any objections on any matter of the

Company.

Yes No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

Yes No

Suggestions from independent directors adopted or not adopted by the Company:

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

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

VI Performance of Duties by Specialized Committees under the Board during this Reporting Period

(I) Summary Report on the Performance of the Audit Committee Subject to the Board of Directors

The Company had constituted the Work Rules for the Financial Audit Committee under the Board which illustrated the exact personnel, obligations and rights and working process of annual report of the Financial Audit Committee under the Board. In 2018, based on the principle of faithfulness, the major execution situations of the Financial Audit Committee under the Board were as follows:

1. Reviewed financial statements of Annual Report 2017, First Quarter Report 2018, Interim Report 2018, and the Third Quarter Report 2018, and had no objection to the aforesaid financial statements.
2. Submitted the Proposal on Hiring CPA in 2018 to the Board on 29 March 2018 in which proposing to continue to hire Ruihua CPA as the audit institution of financial statements of the Company in 2018.
3. During the preparation of Annual Report 2018, the Company fulfilled the following duties:
 - (1) Issued the Notes of the Events such as the Audit Work Arrangement of the Financial Audit Committee and approved the arrangement for 2018 annual auditing of the Company;

- (2) Issued Audit Opinion of the Financial Audit Committee on Financial Accounting Statements Prepared by the Company before CPAs' entry of Audit;
 - (3) Communicated and exchanged ideas with the CPAs responsible for annual auditing on the problems occurring during the auditing;
 - (4) Issued Audit Opinion on Financial Accounting Statements of the Company after CPAs Issued the Preliminary Audit Opinion;
 - (5) Issued Summary Report on 2018 Annual Auditing by Ruihua Certified Public Accountants;
 - (6) Submitted the Resolution of the 2018 Annual Financial Statement of the Company to the Board;
 - (7) Submitted the Resolution of engagement of the CPAs in 2019 to the Board;
4. In 2018, according to the authorization of the Board of Directors, the Financial Audit Committee accepted the report on the work of the Company's Internal Auditing Department and carried out management over the Internal Auditing Department of the Company and its work.

(II) Summary Report on the Performance of the Remuneration and Appraisal Committee Subject to the Board of Directors

The Company had constituted the Work Rules for the Remuneration and Appraisal Committee under the Board which illustrated the exact personnel, obligations and rights of the Remuneration and Appraisal Committee under the Board. In Y2018, based on the principle of faithfulness, the major execution situations of the Remuneration and Appraisal Committee under the Board were as follows:

1. On 8 August 2018, the Remuneration and Appraisal Committee subject to the Board of Directors submitted the Audit Opinion on the Reward Planning for the Management of the Company in 2017 to the Board.
2. During the preparation of Annual Report 2018, the Remuneration and Appraisal Committee subject to the Board of Directors issued the Audit Opinion on the Disclosed Remuneration Situation of the Directors, Supervisors and Senior Executives of the Company, which considered the condition of the remuneration of the Directors, Supervisors and Senior Executives of the Company disclosed in the 2018 Annual Report was verified. The disclosed remuneration situation of the Directors, Supervisors and Senior Executives of the Company met with the remuneration management system without any situation that violated the remuneration management system of the Company.

(III) Summary Report on the Performance of the Nominations Committee Subject to the Board of Directors

The Company had constituted the Work Rules for the Nominations Committee under the Board which illustrated the exact personnel, obligations and rights of the Nominations Committee under the Board. In line with the principle of diligence and responsibility, the nominating committee of the board of directors of the company submitted the "examination and approval opinions on

candidates for the general election of the board of directors" to the board of directors on November 15, 2018, and submitted the candidates for the new general election of the board of directors to the board of directors for discussion.

(IV) Summary Report on the Performance of the Strategy Committee Subject to the Board of Directors

The Company had constituted the Work Rules for the Strategy Committee under the Board which illustrated the exact personnel, obligations and rights of the Strategy Committee under the Board. On 16 April 2018, the Strategy Committee subject to the Board of Directors issued Audit opinion of Overall Strategic Planning of Konka Group after discussion, and submitted it to Board Meeting for discussion

VII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

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

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	30 March 2019
Index to the disclosed internal control self-evaluation report	http://www.cninfo.com.cn/new/index
Evaluated entities' combined assets as %	90.00%

of consolidated total assets		
Evaluated entities' combined operating revenue as % of consolidated operating revenue	90.00%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Those with the following characteristics should be recognized as great defect: (1) found out there were malpractices of the Directors, Supervisors and Senior Executives of the Company that formed significant influences on the financial report; (2) the Company revised the published financial report and revised the great misstatements caused by the malpractices or the mistakes; (3) CPA found out there was great misstatement of the current financial report while didn't found during the operating process of the internal control; (4) the supervision of the internal control by the Finance Audit Committee and the internal audit institution of the Company was invalid; (5) not yet revised the great defect after the reasonable period as which was discovered among the internal control assessment; (6) the significant business lacked of systematic control or the systematic control was invalid.. Those with the following characteristics should be recognized as significant defect: (1) not yet chosen or applied the accounting polices according to the generally accepted accounting standards; (2) not yet constructed the anti-spam process or control measures; (3) as for the accounts disposal of the unconventional or special transactions, there was no corresponding control mechanism or execution or the existence of the corresponding supplement control; (4) there was one or multiple defects during the control of the compile</p>	<p>The following signs indicated there may exist great defect among the internal control of the non-financial report; (1) the operating activities of the enterprises seriously violated the national laws and regulations; (2) negative news frequently disclosed by the media which caused significant harm to the Company's reputation; (3) the core management team left their positions one after another or the outflow of the key position personnel was serious; (4) significant business lacked of systematic control of the system was invalid; (5) great defect discovered among the internal control assessment not yet be revised in time.</p> <p>The following signs indicated there may exist significant defect among the internal control of the non-financial report: (1) negative news occurred rather frequently which caused rather big harm to the Company's reputation; (2) the outflow of the key position personnel was rather serious; (3) there was obvious defect among the control system of the significant business; (4) the significant defect found among the internal control assessment not yet be revised in time. 3. Other defects from the internal control hadn't reached the recognition standards of the great defect or significant defect, should be recognized as general defect.</p>

	of the financial report at the period-end and could not reasonable guarantee the statement of the compiled financial report reach the real and accurate target; (5) not yet revised the significant defect after the reasonable period as which was discovered among the internal control assessment. 3. Other defects from the internal control hadn't reached the recognition standards of the great defect or significant defect should be recognized as general defect.	
Quantitative standard	Great defect: potential misstatement amount $\geq 1\%$ of the gross profit margin of the 2018 consolidated financial report of the Company; significant defect: 0.5% of the gross profit margin of the 2018 consolidated financial report of the Company \leq potential misstatement amount $< 1\%$ of the gross profit margin of the 2018 consolidated financial report of the Company; general defect: potential misstatement amount $< 0.5\%$ of the gross profit margin of the 2018 consolidated financial report of the Company.	Implement in accordance with the quantitative criteria of internal control defect evaluation in financial statements
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

X Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control	
We considered that, in all the significant aspects, Konka Group maintained efficient internal control of the financial report according to the C-SOX and the relevant regulations on 31 December 2018.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	30 March 2019

Index to such report disclosed	http://www.cninfo.com.cn/new/index
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

Yes No

Part X Corporate Bonds

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

Refer to the disclosure

I. Basic Information of the Corporate Bonds

Name	Abbr.	Code	Release date	Due date	Bonds balance (RMB'0,000)	Interest rate	Way of redemption
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Phase I) (Variety I)	19 Konka 01	114418	14 January 2019	14 January 2022	100,000	5.00%	Interests shall be paid every year and the principals shall be repaid when expired.
Privately placed corporate bonds in 2019 of Konka Group Co., Ltd (Phase I) (Variety II)	19 Konka 02	114423	14 January 2019	14 January 2022	150,000	5.00%	Interests shall be paid every year and the principals shall be repaid when expired.
Listed or transferred trading place of the Company bonds	Shenzhen Stock Exchange						
Appropriate arrangement of the investors	"19 Konka 01" and "19 Konka 02" was placed privately to qualified institutional investors (less than 200) meeting the requirements of Management method for Investors Eligibility in Bonds Market of Shenzhen Stock Exchange						
Interest payment during the Reporting Period	During the Reporting Period, "19 Konka 01" and "19 Konka 02" were not issued yet, without the interest payment of corporate bonds.						
Execution of the relevant regulations during the Reporting Period such as the affiliated option clause of the issuers or investors, special clauses such as the exchangeable regulations of the Company	1. Option for issuer to adjust coupon rate; 2. Put-backs option for investors; there was no implementation of relevant clauses.						

bonds (if applicable)	
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II. List of the Bond Trustee and the Rating Organization

Bond trustee:							
Name	Industrial Securities Co., Ltd	Office address	Room 801, No. 35 Jinshifang Street, Xicheng District, Beijing	Contact person	Pu Hang, and Zhang Huifang	Contact number	010-50911203
Rating organization executed the tracking rating of the corporate bonds of the Reporting Period:							
Name	United Ratings Co., Ltd.			Office address	No.2 Jianwai Street, Chaoyang District, Beijing		
Alternation reasons, execution process and influences on the investors' interests etc. if there was alternation of the bond trustees and the credit rating agencies engaged by the Company during the Reporting Period (if applicable)						No	

III. List of the Usage of the Raised Funds of the Corporate Bonds

List of the usage of the raised funds and the execution process of the Company bonds	The Company has used the raised funds and disclosed related information in a timely, authentic, accurate and complete manner strictly in accordance with the terms in the prospectus for the Period, related provisions and requirements in the Measures for Issuance and Trading of Corporate Bonds, CSRC Releases No. 2 Guideline for the Supervision of Listed Companies-Administration of Funds Raised by Listed Companies and Applicable Supervision Requirements, the Stock Listing Rules of the Shenzhen Stock Exchange and the Rules of the Shenzhen Stock Exchange for Stock Listing on ChiNext. It has not engaged in any violations in respect of the use and management of the raised funds.
Ending balance (RMB'0,000)	0
Operating situation of the raised funds special account	The operation was in good condition without any violations for relevant regulations or capital supervision agreement
Whether the usage of the raised funds met with the usage, using plan and other agreements committed on the prospectus	Yes

IV. Rating Situation of the Corporate Bonds Information

In August 2018, the entity of Konka Group Co., Ltd. was first rated as Grade AA by United Credit Ratings Co., Ltd for its long-term credit and as “Stable” for its rating prospect; the bonds “19 Konka 01” and “19 Konka 02” by Konka Group Co., Ltd. issued by Konka Group Co., Ltd. through private offering were rated as Grade AAA for their credit and as “Stable” for their rating prospect.

V. Credit-adding Mechanism, Repayment Plan and Other Repayment Guarantee Measures of the Corporate Bonds

OCT Group provided the unconditional and irrevocable joint liability guarantee in full amount for the bonds in the Reporting Period.

VI. Convene Situation of the Bonds Holders Meeting during the Reporting Period

No such cases in the Reporting Period.

VII. List of the Duty Execution of the Bonds Trustee during the Reporting Period

During the Reporting Period, Industrial Securities Co., Ltd., the Company's bond trustee manager, proactively performed its trusteeship, continued to be concerned with the Company's routine production and operation and financial conditions, and endeavored to maintain the legitimate rights and interests of the bond holder strictly in accordance with related laws, regulations, the Management Measures for the Issue and Trading of Corporate Bonds, the Prospectus and the Agreement for the Bond Trusteeship Management.

VIII. The Major Accounting Data and the Financial Indicators of the Recent 2 Years of the Company up the Period-end

Unit: RMB'0,000

Item	2018	2017	Change rate of the same period
EBITDA	125,522.52	713,613.81	-82.41%
Current ratio	96.33%	125.68%	-29.35%
Asset-liability ratio	71.35%	65.20%	6.15%
Quick ratio	72.13%	94.47%	-22.34%
Total debt ratio of EBITDA	8.18%	92.88%	-84.70%
Times interest earned	1.86	23.98	-92.24%
Times interest earned of cash	-3.06	-13.51	77.35%
Times interest earned of EBITDA	2.39	24.62	-90.29%
Loan repayment rate	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

Main reason of the above accounting data and the financial indicators with the YoY change exceeded 30%

Applicable Not applicable

The main reason for the decrease of EBITDA, total debt ratio of EBITDA, times interest earned, times interest

earned of EBITDA was that there was no such income in 2018 as the large-amount exceptional gain from the transfer of a 70% interest in Shenzhen Kangqiao Jiacheng Property Investment Co., Ltd. in 2017. The increase of times interest earned of cash was because Net cash generated from/used in operating activities and income tax increased RMB1 billion respectively as compared with last year.

IX. List of the Interest Payment of Other Bonds and Debt Financing Instruments during the Reporting Period

No such cases in the Reporting Period.

X. List of the Acquired Bank Credit Lines, Usage and the Repayment of the Bank Loans

As of the end of the Reporting Period, the Company acquired bank credit lines of RMB17.999 billion, and used RMB9.759 billion. All bank loans can be repaid on schedule without any overdue situations.

XI. List of the Execution of the Agreements or the Commitments Related to the Company Bonds Raising Specification during the Reporting Period

During the Reporting Period, the Company did not issued corporate bonds.

XII. Significant Events Occurring during the Reporting Period

As at 31 January 2019, the balance of borrowings was RMB17,148 million. The cumulative amount of new borrowings for January 2019 was RMB2,729 million, accounting for 28.87% of the net assets as at the end of 2018. The Company has disclosed the information on the cumulative amount of new borrowings pursuant to related regulations such as the Management Measures for the Issue and Trading of Corporate Bonds. For details, see Announcement on Cumulative Amount of New Borrowings (2019-11) disclosed by the Company.

XIII. Whether there Was Guarantor of the Corporate Bonds

Yes No

Whether the guarantor of the corporate bonds was legal person or other organizations

Yes No

Whether separately disclose the financial statements (including Balance Sheet, Income Statement, Cash Flow Statement, and Changes in owners' (shareholders') Equity, and notes for Financial Statements) of guarantor in the Reporting Period within 4 months from the ending date of every accounting year

Yes No

Part XI Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	29 March 2018
Name of the independent auditor	Ruihua Certified Public Accountants (LLP)
Reference number of audit report	RHSZ [2019] No. 44040004
Name of the certified public accountants	Liu Jianhua and Shen Lingzhi

Independent Auditor's Report

Ruihua Audit Report [2019] No. No. 44040004

All shareholders of Konka Group Co., Ltd.

I. Opinion

We have audited the accompanying financial statements of Konka Group Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2018, the Company's and consolidated income statements, the Company's and consolidated cash flow statements, the Company's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of the Company as at 31 December 2018 and the consolidated and parent business performance and cash flow of the Company for 2018.

II. Basis for Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent with Foshan Huaxin Packing Co., Ltd. and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Current Period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We confirm that the following items are the key audit items which shall be provided in the audit report.

(I) Recognition of Supply Chain Trade Income and Environmental Protection Income

1. Item Description

Please refer to Note 23 of Annotation IV Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 38 of Annotation VI Notes for Item of Consolidated Financial Statement for related information disclosed.

Kangjia group's operating income in 2018 was RMB 4,612,679.73 million, an increase of RMB 1,489,903.41 million compared with that in 2017, an increase of 47.71%. It is the growth of income of supply chain trade business and environmental protection business mainly. Environmental protection business includes PPP (cooperation between government and social capital), BT (transfer of construction), public infrastructure construction such as environmental protection and sewage treatment, and waste material recycling business.

The Company recognizes revenue from supply chain trade and waste material recycling business based on the following principles: ①Commodities for the domestic market: revenue is recognized when the commodities are delivered or the commodity right is transferred; ②Exported commodities: revenue is recognized after commodities are transferred to the shipper entrusted by the purchaser after finishing customs declaration; ③Commodities directly traded abroad: revenue is recognized when customers pick up commodities or commodities are delivered to the places designated by customers.

For public infrastructure construction business such as environmental protection and sewage treatment participated by modes of PPP and BT, revenue from construction services provided during the construction period are recognized according to ASBE No. 15 - Construction Contracts based on percentage of completion method.

Due to fewer production and processing links and simple trade form of supply chain trade and waste material recycling business, the percentage of completion method used for the recognition of revenue from PPP project construction services involves significant accounting estimates and judgments of the Management, and there is a risk that the Management manipulates revenue in order to achieve specific objectives or assessment indicators. On this account, we recognized revenue from supply chain trade and environmental protection business as a key audit matter.

2. Countermeasures of Audit

(1) We adopted the following countermeasures of audit for supply chain trade and waste material recycling business:

- ① We have understood and evaluated the effectiveness of key internal control design and operation related to the recognition of revenue from supply chain trade and environmental protection business;
- ② We have checked up the sales contract and sales support documents, checked whether the risk and reward clauses in sales contracts are consistent with the revenue recognition principle, and evaluated whether the Company's principle for revenue recognition based on total business volume method of supply chain meets the requirements of enterprise accounting standards;
- ③ We have implemented an analytical procedure for income and cost, and analysed the fluctuation and causes of sales price in the current year to evaluate the rationality of the changes in gross profit margin of sales;
- ④ We have selected samples to execute confirmation procedures for balance of accounts receivable according to the characteristics and nature of customer transactions, and confirmed sales amounts of important customers;

- ⑤ We have selected samples of customers and suppliers to check business information and background, and evaluated the business rationality of transactions with customers;
- ⑥ We have entrusted lawyers in Hong Kong to check whether there was any relationship between overseas customers and suppliers, and evaluated lawyers' professional competence, independence and the availability of lawyers' work;
- ⑦ We have visited customers and suppliers with large business volume to further understand the background of transactions and basic information of counterparties, and to check whether there was any intentionally increased trade links or fictitious trading parties;
- ⑧ We have conducted spot checks on documents involved in the process of transactions, such as shipping documents, transfer documents of commodity rights, bank transfer vouchers and invoices, etc.

(2) We adopted the following countermeasures of audit for recognition of revenue from PPP and BT projects at the construction stage:

- ① We have understood and evaluated the effectiveness of key internal control design and operation related to the recognition of revenue from PPP and BT projects at the construction stage;
- ② We have checked the key contract terms of the main construction contract;
- ③ We have reviewed the preparation, review and changing processes of estimated total cost and the related control procedures, and evaluated the effectiveness of the internal control;
- ④ We have checked the details of estimated total cost of projects, reviewed the calculation of percentage of project completion, and evaluated the rationality of major judgments and estimates made by the Management;
- ⑤ Obtain the mid-term measurement payment certificate of the project, and check whether the progress of the project and the amount of the completed project have been confirmed by the signature and seal of the contractor and the supervisor;
- ⑥ For major projects, we have conducted on-site inspection of image progress, the use of work of the Institute's cost engineers in the major projects, and assessed whether the actual completion schedule of projects is consistent with the completion schedule confirmed by the Company.

(II) Non-business income from business combinations not under the same control, initial recognition and impairment of business reputation

1. Item Description

Please refer to Note 20 of Annotation IV Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 16 and 49 of Annotation VI Notes for Item of Consolidated Financial Statement for related information disclosed.

As of December 31, 2018, the amount of goodwill in the consolidated financial statements of kangjia group company is 85,5,691,400 yuan. In the year of 2018, non-operating income is 22,0045,200 yuan due to the fact that the cost of enterprise combination under the non-same control is less than the fair value share of identifiable net assets of the purchaser. The formation of goodwill comes from the acquisition of yikang technology co., LTD., jiangxi kangjia new material technology co., ltd. and guangdong xingda hongye electronics co., ltd. by kangjia group in 2018. The formation of non-operating income is generated by the acquisition of henan xinfei refrigeration appliance co., LTD., henan xinfei electric appliance co., LTD., and henan xinfei home appliance co., LTD., which are not under the same control, through judicial auction.

The Company Management allocated the combination costs and recognized the acquired identifiable assets, liabilities and contingent liabilities of acquiree on the combination day. The

acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtained 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:

- ① 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;
- ② 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.

The Company Management tested the impairment of business reputation by combining it with related asset groups or portfolios on the balance sheet date. According to the test result, the Company did not suffer any impairment of business reputation.

Because of the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree on the combination date, evaluation work of experts is need for business reputation impairment test on the balance sheet date. The parameters used in the evaluation involve discount rate, future sales growth rate, sustainable growth rate in predictive period and gross interest rate, etc. The evaluation methods used include asset-based method and income method. The evaluation process of fair value on the combination date and impairment test of business reputation on the balance sheet day is complex, and the assumptions based on may change due to the influence of expected future market and economic environment. All of the above mentioned depend on the Management's judgment. On this account, we identify non-business income from business combinations not under the same control, initial recognition and impairment test of business reputation as key auditing items.

2. Countermeasures of Audit

- (1) We have understood and evaluated the effectiveness of the design and operation of key internal controls related to business combinations not under the same control and impairment of business reputation;
- (2) We have reviewed the measurement of the fair values of identifiable assets, liabilities and contingent liabilities obtained from the acquiree and the combination cost;
- (3) We have understood the Management's recognition of the asset group or portfolio to which business reputation belongs, the key assumptions and methods used in the impairment test of business reputation, and evaluated the rationality of identification of asset group or portfolio, and related assumptions and methods;
- (4) We have evaluated the competence, professional quality and objectivity of external valuation experts appointed by the Management;
- (5) We had the asset group valuation method used and assessment reports made by external valuation experts reviewed by internal valuation experts of the Firm;
- (6) We have reviewed and evaluated the key parameters used by the Management for estimations, including comparative analysis on income growth rate in predictive period and historical income growth rate and income growth rate in the same industry; the comparison between estimated gross interest rate and historical gross interest rate, taking into account of the market trend; and analysis on the discount rate adopted by the Management;
- (7) We have obtained and reviewed the calculation table prepared by the Management for the recoverable amount of the asset group to which business reputation belongs, and compared the difference between the book value of the asset group to which business reputation belongs and the recoverable amount to confirm whether there is any impairment of business reputation.

(8) We have checked and evaluated, based on the result of impairment test of business reputation, the accuracy and appropriateness of presentation and disclosure of business reputation.

(III) Recognition of Investment Income

1. Item Description

Please refer to Note 13 of Annotation IV Important Accounting Policies and Accounting Estimation of the Financial Statement and Note 11 and 46 of Annotation VI Notes for Item of Consolidated Financial Statement for related information disclosed.

The investment income of the Company in 2018 was RMB927.4144 million, mainly generated from the investment income arising from disposal of long-term equity investment, returns on purchase of financial products, and gains arising from re-measurement of residual equity at fair value after losing the controlling rights. Since the amount of investment income has greatly impacts on profits, the recognition of investment income involves complicated accounting treatment and the recognition of the date of losing controlling rights should be based on the professional judgement, we confirm the recognition of investment income as the key audit item.

2. Countermeasures of Audit

- (1) We have understood, estimated and tested design and implementation of key internal control of the management level related to the investment to confirm the effectiveness of the internal control;
- (2) We have checked the stock transfer contracts, evaluation reports, changes in industrial and commercial registration, changes in the board of directors and accounts of stock transfer received to confirm having met the recognition conditions of investment income;
- (3) We have reviewed the evaluation reports related to stock transfer to judge the fairness of stock transaction consideration and rationality of the recognition of residual equity by fair value after losing controlling rights;
- (4) We have rechecked the accounting process of the Company's investment income and recalculated the investment income arising from the residual equity at fair value after losing controlling rights to prove the rightness of the accounting of investment income;
- (5) We have checked the contracts and bank receipts related to the purchase of financial products; spot checked the accounting documents and checked the recognition of investment income to prove the rightness of the investment income of entrust financial management.

IV. Other Information

The management of the Company is responsible for the other information. The other information comprises all of the information included in the annual report for 2018 other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibility of Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of these

financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. CPA's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Current Period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ruihua Certified Public Accountants (LLP) CPA (Engagement Partner):

Liu Jianhua

Beijing·China

CPA:

Shen Lingzhi

28 March 2019

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Konka Group Co., Ltd.

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	4,348,144,129.53	3,212,044,851.08
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	5,464,984.92	296,799.53
Derivative financial assets		

Notes and accounts receivable	7,787,765,540.57	8,621,764,935.49
Including: Notes receivable	3,329,711,954.15	5,178,668,988.23
Accounts receivable	4,458,053,586.42	3,443,095,947.26
Prepayments	1,036,979,167.56	467,123,091.74
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	410,804,180.50	184,218,356.16
Including: Interest receivable	4,059,682.40	1,813,256.77
Dividends receivable	547,848.62	
Financial assets purchased under resale agreements		
Inventories	5,487,605,227.05	4,690,363,565.53
Assets classified as held for sale		
Current portion of non-current assets	22,318,208.13	
Other current assets	2,744,216,141.98	1,715,326,868.81
Total current assets	21,843,297,580.24	18,891,138,468.34
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	633,664,881.33	712,170,399.09
Held-to-maturity investments		
Long-term receivables	390,793,038.05	
Long-term equity investments	2,637,780,825.53	1,319,987,343.74
Investment property	210,824,355.72	216,455,629.99
Fixed assets	2,410,226,495.81	1,587,170,348.35
Construction in progress	2,176,871,530.80	135,863,821.01
Productive living assets		
Oil and gas assets		
Intangible assets	737,776,686.34	205,057,773.69
R&D expense		
Goodwill	855,691,423.75	3,597,657.15
Long-term prepaid expense	111,223,426.77	150,060,937.30
Deferred income tax assets	639,433,954.30	307,942,263.12
Other non-current assets	337,477,690.39	29,290,828.00
Total non-current assets	11,141,764,308.79	4,667,597,001.44

Total assets	32,985,061,889.03	23,558,735,469.78
Current liabilities:		
Short-term borrowings	13,884,132,931.63	6,927,472,037.35
Borrowings from central bank		
Customer deposits and interbank deposits		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss	2,459,603.25	47,482,470.50
Derivative financial liabilities		
Notes and accounts payable	5,225,053,739.80	4,153,391,578.68
Advances from customers	723,227,529.20	640,510,784.17
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	376,506,567.71	291,370,297.67
Taxes payable	288,004,192.44	1,326,569,094.53
Other payables	2,024,657,277.74	1,644,083,269.81
Including: Interest payable	27,230,631.41	35,723,963.94
Dividends payable		
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	151,792,404.13	374,358.99
Other current liabilities		
Total current liabilities	22,675,834,245.90	15,031,253,891.70
Non-current liabilities:		
Long-term borrowings	445,000,000.00	167,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables	128,374,597.41	61,538.46
Long-term payroll payable	8,792,614.98	13,361,821.86
Provisions	21,772,898.37	6,181,865.10
Deferred income	112,899,128.24	130,049,911.87

Deferred income tax liabilities	141,020,093.34	12,636,633.40
Other non-current liabilities		
Total non-current liabilities	857,859,332.34	329,291,770.69
Total liabilities	23,533,693,578.24	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	208,356,624.21	104,732,242.30
Less: Treasury stock		
Other comprehensive income	-10,538,219.08	3,697,458.95
Specific reserve		
Surplus reserves	1,227,564,785.19	1,217,644,874.79
General reserve		
Retained earnings	4,271,408,192.21	4,260,125,492.57
Total equity attributable to owners of the Company as the parent	8,104,736,790.53	7,994,145,476.61
Non-controlling interests	1,346,631,520.26	204,044,330.78
Total owners' equity	9,451,368,310.79	8,198,189,807.39
Total liabilities and owners' equity	32,985,061,889.03	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	31 December 2018	31 December 2017
Current assets:		
Monetary capital	2,124,335,536.69	1,760,838,390.83
Financial assets at fair value through profit or loss	5,464,984.92	296,799.53
Derivative financial assets		
Notes and accounts receivable	9,608,713,113.32	7,596,218,302.24
Including: Notes receivable	2,181,466,683.90	2,864,064,309.99
Accounts receivable	7,427,246,429.42	4,732,153,992.25
Prepayments	1,019,335,571.49	1,066,260,182.37
Other receivables	6,667,463,126.57	4,341,467,382.86

Including: Interest receivable	5,769,663.24	23,894,771.88
Dividends receivable		2,690,276.72
Inventories	254,225,716.41	2,090,697,937.23
Assets classified as held for sale		
Current portion of non-current assets		100,000,000.00
Other current assets	77,249,216.99	1,547,454,872.74
Total current assets	19,756,787,266.39	18,503,233,867.80
Non-current assets:		
Available-for-sale financial assets	326,164,881.33	562,612,236.33
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	6,182,962,034.71	2,649,074,424.45
Investment property	210,824,355.72	216,455,629.99
Fixed assets	462,721,018.30	482,020,892.58
Construction in progress	157,356,696.30	79,927,345.88
Productive living assets		
Oil and gas assets		
Intangible assets	83,593,959.11	91,718,400.70
R&D expense		
Goodwill		
Long-term prepaid expense	80,388,949.97	78,305,555.97
Deferred income tax assets	516,879,201.66	279,324,511.96
Other non-current assets	20,000,000.00	20,000,000.00
Total non-current assets	8,040,891,097.10	4,459,438,997.86
Total assets	27,797,678,363.49	22,962,672,865.66
Current liabilities:		
Short-term borrowings	8,179,564,987.70	3,269,730,888.60
Financial liabilities at fair value through profit or loss	2,459,603.25	47,482,470.50
Derivative financial liabilities		
Notes and accounts payable	9,990,213,911.08	8,561,630,481.98
Advances from customers	306,650,717.69	601,036,147.76
Payroll payable	146,199,496.44	163,066,135.71
Taxes payable	10,913,871.30	1,070,771,570.12
Other payables	2,011,494,378.65	1,918,409,927.12

Including: Interest payable	24,158,666.48	50,336,913.53
Dividends payable		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities	40,000,000.00	
Other current liabilities		
Total current liabilities	20,687,496,966.11	15,632,127,621.79
Non-current liabilities:		
Long-term borrowings	245,000,000.00	167,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions	206,591.51	6,181,865.10
Deferred income	75,705,476.93	94,590,560.82
Deferred income tax liabilities	751,345.42	
Other non-current liabilities		
Total non-current liabilities	321,663,413.86	267,772,425.92
Total liabilities	21,009,160,379.97	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	114,018,066.79	111,525,163.22
Less: Treasury stock		
Other comprehensive income	-1,182,217.31	-1,970,304.62
Specific reserve		
Surplus reserves	1,227,564,785.19	1,217,644,874.79
Retained earnings	3,040,171,940.85	3,327,627,676.56
Total owners' equity	6,788,517,983.52	7,062,772,817.95
Total liabilities and owners' equity	27,797,678,363.49	22,962,672,865.66

3. Consolidated Income Statement

Unit: RMB

Item	2018	2017
1. Revenue	46,126,797,341.33	31,227,763,249.71
Including: Operating revenue	46,126,797,341.33	31,227,763,249.71
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	47,263,866,198.50	31,418,151,525.89
Including: Cost of sales	43,227,613,914.45	27,788,985,279.80
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 surcharges	89,689,865.93	208,836,733.61
Selling expense	2,282,174,241.64	2,141,993,558.11
Administrative expense	641,892,996.18	448,036,697.96
R&D expense	396,460,145.24	329,676,982.50
Finance costs	399,165,814.39	340,918,550.61
Including: Interest expense	566,070,556.21	352,438,125.53
Interest income	43,630,012.41	62,735,102.89
Asset impairment loss	226,869,220.67	159,703,723.30
Add: Other income	294,265,632.23	204,979,443.55
Investment income (“-” for loss)	927,414,370.96	6,587,848,357.88
Including: Share of profit or loss of joint ventures and associates	19,139,381.20	3,953,094.99
Gain on changes in fair value (“-” for loss)	50,191,052.64	-66,221,451.96
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)	-563,894.74	55,945,401.39
3. Operating profit (“-” for loss)	134,238,303.92	6,592,163,474.68

Add: Non-operating income	328,696,140.09	82,832,663.76
Less: Non-operating expense	8,037,851.90	16,521,032.68
4. Profit before tax (“-” for loss)	454,896,592.11	6,658,475,105.76
Less: Income tax expense	-213,721,829.46	1,571,641,005.78
5. Net profit (“-” for net loss)	668,618,421.57	5,086,834,099.98
5.1 Net profit from continuing operations (“-” for net loss)	668,618,421.57	5,086,834,099.98
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	411,289,744.68	5,057,025,155.71
Net profit attributable to non-controlling interests	257,328,676.89	29,808,944.27
6. Other comprehensive income, net of tax	-12,585,647.54	10,457,550.34
Attributable to owners of the Company as the parent	-14,235,678.03	10,629,563.60
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes 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	-14,235,678.03	10,629,563.60
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	740,697.08	-3,138,048.04
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-31,342.07	-6,379,226.68
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	-14,945,033.04	20,146,838.32
6.2.6 Other		
Attributable to non-controlling interests	1,650,030.49	-172,013.26
7. Total comprehensive income	656,032,774.03	5,097,291,650.32
Attributable to owners of the Company as the parent	397,054,066.65	5,067,654,719.31
Attributable to non-controlling interests	258,978,707.38	29,636,931.01
8. Earnings per share		
8.1 Basic earnings per share	0.1708	2.1001
8.2 Diluted earnings per share	0.1708	2.1001

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	2018	2017
1. Operating revenue	13,377,681,886.45	12,102,478,051.51
Less: Cost of sales	12,572,129,164.32	10,254,093,606.04
Taxes and surcharges	25,843,072.39	32,773,051.99
Selling expense	1,511,526,663.59	1,539,608,039.02
Administrative expense	349,794,611.61	240,683,547.54
R&D expense	148,115,964.90	329,676,982.50
Finance costs	263,729,410.33	275,532,025.79
Including: Interest expense		
Interest income		
Asset impairment loss	64,312,750.93	133,044,172.18
Add: Other income	73,925,099.14	69,388,626.62
Investment income (“-” for loss)	1,247,079,039.64	6,419,712,482.20
Including: Share of profit or loss of joint ventures and associates	33,783,935.14	-2,867,529.72
Gain on changes in fair value (“-” for loss)	50,191,052.64	-86,743,251.96
Asset disposal income (“-” for loss)	-2,560.75	74,187.45
2. Operating profit (“-” for loss)	-186,577,120.95	5,699,498,670.76
Add: Non-operating income	51,273,970.95	38,052,635.22
Less: Non-operating expense	2,556,804.31	10,368,352.12
3. Profit before tax (“-” for loss)	-137,859,954.31	5,727,182,953.86
Less: Income tax expense	-237,059,058.30	1,414,775,357.96
4. Net profit (“-” for net loss)	99,199,103.99	4,312,407,595.90
4.1 Net profit from continuing operations (“-” for net loss)	99,199,103.99	4,312,407,595.90
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	788,087.31	-8,684,742.24
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	788,087.31	-8,684,742.24
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	788,087.31	-2,274,173.49

5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets		-6,410,568.75
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		
5.2.6 Other		
6. Total comprehensive income	99,987,191.30	4,303,722,853.66
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	46,363,698,743.08	31,446,609,731.30
Net increase in customer deposits and interbank deposits		
Net increase in borrowings 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	475,610,439.41	306,536,483.85
Cash generated from other operating activities	3,714,670,493.13	9,189,740,317.98
Subtotal of cash generated from operating activities	50,553,979,675.62	40,942,886,533.13
Payments for commodities and services	45,867,095,178.07	32,945,586,384.73
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	1,659,612,131.21	1,521,219,551.03
Taxes paid	1,648,013,358.42	538,733,487.55
Cash used in other operating activities	4,609,082,880.58	10,251,604,732.29
Subtotal of cash used in operating activities	53,783,803,548.28	45,257,144,155.60
Net cash generated from/used in operating activities	-3,229,823,872.66	-4,314,257,622.47
2. Cash flows from investing activities:		
Proceeds from disinvestment	106,597,820.94	72,257,309.01
Investment income	146,065,795.48	126,829,624.00
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	2,372,418.53	101,598,096.61
Net proceeds from disposal of subsidiaries or other business units	252,468,488.60	6,904,949,434.52
Cash generated from other investing activities	2,393,028,228.96	1,847,480,775.61
Subtotal of cash generated from investing activities	2,900,532,752.51	9,053,115,239.75
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	486,058,229.18	252,512,252.89
Payments for investments	597,975,935.00	1,185,098,584.39
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units	1,118,860,395.37	
Cash used in other investing activities	2,949,519,200.00	2,885,988,913.10
Subtotal of cash used in investing activities	5,152,413,759.55	4,323,599,750.38
Net cash generated from/used in investing activities	-2,251,881,007.04	4,729,515,489.37
3. Cash flows from financing activities:		
Capital contributions received	332,513,927.94	50,430,511.80
Including: Capital contributions by non-controlling interests to subsidiaries	203,580,594.60	50,430,511.80
Increase in borrowings obtained	14,681,965,477.02	9,997,566,758.22
Net proceeds from issuance of bonds		
Cash generated from other financing activities	330,951,745.42	478,604,496.40
Subtotal of cash generated from financing activities	15,345,431,150.38	10,526,601,766.42
Repayment of borrowings	8,081,422,372.12	9,541,243,861.75
Payments for interest and dividends	709,581,026.62	215,250,211.08
Including: Dividends paid by subsidiaries to non-controlling interests	960,052.07	746,714.88

Cash used in other financing activities	757,534,424.92	23,263,067.97
Subtotal of cash used in financing activities	9,548,537,823.66	9,779,757,140.80
Net cash generated from/used in financing activities	5,796,893,326.72	746,844,625.62
4. Effect of foreign exchange rate changes on cash and cash equivalents	21,061,330.94	-85,105,733.90
5. Net increase in cash and cash equivalents	336,249,777.96	1,076,996,758.62
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	3,434,149,481.72	3,097,899,703.76

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	10,411,822,006.27	12,663,519,862.71
Tax rebates	162,545,714.88	101,117,712.70
Cash generated from other operating activities	3,664,490,303.85	11,750,343,362.91
Subtotal of cash generated from operating activities	14,238,858,025.00	24,514,980,938.32
Payments for commodities and services	8,349,385,730.39	11,671,178,195.40
Cash paid to and for employees	917,379,288.04	913,094,001.19
Taxes paid	1,163,848,413.52	153,133,718.08
Cash used in other operating activities	8,371,093,126.27	13,492,237,043.23
Subtotal of cash used in operating activities	18,801,706,558.22	26,229,642,957.90
Net cash generated from/used in operating activities	-4,562,848,533.22	-1,714,662,019.58
2. Cash flows from investing activities:		
Proceeds from disinvestment	545,729,039.58	7,213,519,480.00
Investment income	229,742,943.89	157,605,497.94
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	585,065.19	202,036.88
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	2,389,727,049.76	1,771,357,091.35
Subtotal of cash generated from investing activities	3,165,784,098.42	9,142,684,106.17
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	91,684,045.40	69,689,987.87
Payments for investments	3,064,767,387.50	1,434,196,953.00
Net payments for acquisition of subsidiaries and other business units		

Cash used in other investing activities	1, 178, 410, 798. 39	2, 997, 732, 417. 74
Subtotal of cash used in investing activities	4, 334, 862, 231. 29	4, 501, 619, 358. 61
Net cash generated from/used in investing activities	-1, 169, 078, 132. 87	4, 641, 064, 747. 56
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained	14, 232, 230, 155. 56	6, 424, 596, 805. 22
Net proceeds from issuance of bonds		
Cash generated from other financing activities	181, 269, 884. 31	165, 396, 024. 39
Subtotal of cash generated from financing activities	14, 413, 500, 039. 87	6, 589, 992, 829. 61
Repayment of borrowings	7, 474, 353, 929. 91	8, 507, 218, 581. 45
Payments for interest and dividends	665, 807, 835. 95	199, 017, 294. 57
Cash used in other financing activities	758, 694, 935. 20	598, 314. 20
Sub-total of cash used in financing activities	8, 898, 856, 701. 06	8, 706, 834, 190. 22
Net cash generated from/used in financing activities	5, 514, 643, 338. 81	-2, 116, 841, 360. 61
4. Effect of foreign exchange rate changes on cash and cash equivalents	-28, 192, 061. 54	-39, 905, 176. 10
5. Net increase in cash and cash equivalents	-245, 475, 388. 82	769, 656, 191. 27
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, 497, 794, 555. 85	1, 743, 269, 944. 67

7. Consolidated Statements of Changes in Owners' Equity

2018

Unit: RMB

Item	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 stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
Preferred shares		Perpetual bonds	Other										
1. Balances as at the end of the 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 at the	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

beginning of the year	0								.79		.57	8	9	
3. Increase/decrease in the period (“-” for decrease)					103,624,381.91				-14,235,678.03		9,919,910.40	11,282,699.64	1,142,587,189.48	1,253,178,503.40
3.1 Total comprehensive income									-14,235,678.03			411,289,744.68	258,978,707.38	656,032,774.03
3.2 Capital increased and reduced by owners												884,568,534.17	884,568,534.17	
3.2.1 Ordinary shares increased by shareholders												204,255,406.70	204,255,406.70	
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												680,313,127.47	680,313,127.47	
3.3 Profit distribution									9,919,910.40		-400,007,045.04	-960,052.07	-391,047,186.71	
3.3.1 Appropriation to									9,919,910.40		-9,919,910.40			

surplus reserves													
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-390,087,134.64	-960,052.07	-391,047,186.71
3.3.4 Other													
3.4 Transfers 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 Loss offset by surplus reserves													
3.4.4 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in													

the period													
3.6 Other					103,624,381.91								103,624,381.91
4. Balances as at the end of the period	2,407,945,408.00				208,356,624.21		-10,538,219.08		1,227,564,785.19		4,271,408,192.21	1,346,631,520.26	9,451,368,310.79

2017

Unit: RMB

Item	2017												
	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 stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
Preferred shares		Perpetual bonds	Other										
1. Balances as at the end of the prior year	2,407,945,408.00				79,723,092.04		-6,932,104.65		847,908,466.28		-427,163,254.63	417,017,287.63	3,318,498,894.67
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations under common													

control													
Other adjustments													
2. Balances as at the beginning of the year	2,407,945,408.00			79,723,092.04		-6,932,104.65		847,908,466.28		-427,163,254.63	417,017,287.63	3,318,498,894.67	
3. Increase/decrease in the period (“-” for decrease)				25,009,150.26		10,629,563.60		369,736,408.51		4,687,288,747.20	-212,972,956.85	4,879,690,912.72	
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											-1,419,284.06	-1,419,284.06	
3.2.4 Other													

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 Transfers 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 Loss offset by surplus reserves													
3.4.4 Other													
3.5 Specific													

reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other					25,009,150.26								25,009,150.26
4. Balances as at the 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

2018

Unit: RMB

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as at the end of the 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					8,575,762.89					13,352,205.34	21,927,968.23
2. Balances as at the beginning of the year	2,407,945,408.0				120,100,926.11		-1,970,304.		1,217,644,874	3,340,979,881.	7,084,700,786.1

	0					62		.79	90	8
3. Increase/ decrease in the period ("-" for decrease)					-6,082,859.32	788,087.31		9,919,910.40	-300,807,941.05	-296,182,802.66
3.1 Total comprehensive income						788,087.31			99,199,103.99	99,987,191.30
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								9,919,910.40	-400,007,045.04	-390,087,134.64
3.3.1 Appropriation to surplus reserves								9,919,910.40	-9,919,910.40	
3.3.2 Appropriation to owners (or shareholders)									-390,087,134.64	-390,087,134.64
3.3.3 Other										
3.4 Transfers 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 Loss offset by surplus reserves											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Increase in the period											
3.5.2 Used in the period											
3.6 Other					-6,082,859.32						-6,082,859.32
4. Balances as at the end of the period	2,407,945,408.00				114,018,066.79		-1,182,217.31		1,227,564,785.19	3,040,171,940.85	6,788,517,983.52

2017

Unit: RMB

Item	2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as at the end of the 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 at the beginning of	2,407,945,408.00				72,144,108.39		6,714,437.6		847,908,466.2	-615,043,510.	2,719,668,909.4

the year	0					2		8	83	6
3. Increase/ decrease in the period (“-” for decrease)				39,381,054.83		-8,684,742. 24		369,736,408.5 1	3,942,671,187 .39	4,343,103,908.4 9
3.1 Total comprehensive income						-8,684,742. 24			4,312,407,595 .90	4,303,722,853.6 6
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								369,736,408.5 1	-369,736,408. 51	
3.3.1 Appropriation to surplus reserves								369,736,408.5 1	-369,736,408. 51	
3.3.2 Appropriation to owners (or shareholders)										
3.3.3 Other										
3.4 Transfers 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 Loss offset by surplus reserves											
3.4.4 Other											
3.5 Specific reserve											
3.5.1 Increase in the period											
3.5.2 Used in the period											
3.6 Other					39,381,054.83						39,381,054.83
4. Balances as at the 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 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 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 1st Extraordinary General Meeting and the revised

articles of the Company, the Company applied to increase the registered capital of RMB1,203,972,704.00, which totally turned into capital reserve with the altered registered capital of RMB2,407,945,408.00 and managed the industrial and commercial alternation registration on 28 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); Water pollution control, solid waste pollution treatment, hazardous waste pollution control, air pollution control, soil pollution control and remediation; production (excluding mining) and sales of non-metallic mineral products and materials; development, production and sales of specific materials for semiconductor integrated circuits and component; assembly, production and sales of integrated device electronics, design, R&D, manufacturing, testing, packaging and sales of semiconductor integrated circuits, and sales, integrated circuit products and related technical services, technology development, transfer, import and export in the field of semiconductor integrated circuit technology.

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

5. The financial statements contained herein have been approved for issue by the Board of Directors of the Company on 28 March 2018.

6. There were 114 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 68 subsidiaries increased and 6 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 E-display Co., Ltd.	Konka E-display
Shenzhen E-display Service Co., Ltd.	E-display Service
Shenzhen Kangqiao Easy Chain Technology Co., Ltd.	Kangqiao Easy Chain
Konka Ventures Development (Shenzhen) Co., Ltd.	Konka Ventures
Yantai Konka Healthcare Enterprise Service Co., Ltd.	Yantai Konka
Chengdu Konka Incubator Management Co., Ltd.	Chengdu Konka Incubator
Chengdu Anren Konka Cultural and Creative Incubator Management Co., Ltd.	Chengdu Anren

Corporate name	Abbreviation
Guiyang Konka Enterprise Service Co., Ltd.	Konka Enterprise Service
Nanjing Chuanghui Smart Technology Co., Ltd.	Chuanghui Smart
Guizhou Konka Enterprise Management Service Co., Ltd.	Konka Enterprise Management
Yibin Konka Incubator Management Co., Ltd.	Yibin Konka Incubator
Shenzhen Konka Cross-Border Technological Innovation Service Co., Ltd.	Cross-Border Technological Innovation
Anhui Konka Electronic Co., Ltd.	Anhui Konka
Anhui Kangzhi Trade Co., Ltd.	Kangzhi Trade
Konka Factoring (Shenzhen) Co., Ltd.	Konka Factoring
Youshi Kangrong Culture Communication Co., Ltd.	Youshi Kangrong
Chuzhou Konka Technology & Industry Development Co., Ltd.	Chuzhou Konka TID
Shenzhen Konka Unifortune Supply Chain Management Co., Ltd.	Konka Unifortune
Jiali International (Hong Kong) Limited	Jiali International
Shenzhen Wankaida Science and Technology Co., Ltd.	Wankaida
Dongguan Konka Electronic Co., Ltd.	Dongguan Konka
Shenzhen Konka Telecommunications Technology Co., Ltd.	Telecommunication Technology
Shenzhen Konka Electrical Appliances Co., Ltd.	Konka Electrical Appliances
Mudanjiang Arctic Ocean Appliances Co., Ltd.	Mudanjiang Appliances
Konka (Europe) Co., Ltd.	Konka Europe
Shenzhen Konka Commercial System Technology Co., Ltd.	Commercial System Technology
Shenzhen Konka Electrical Appliances Co., Ltd.	Konka Electrical Appliances
Hainan Konka Material Technology Co., Ltd.	Konka Material
Shenzhen Shushida Logistics Service Co., Ltd.	Shushida Logistics
Shenzhen Konka Mobile Interconnection Technology Co., Ltd.	Mobile Interconnection
Sichuan Konka Smart terminal Technology Co., Ltd.	Sichuan Konka
Anhui Konka Tongchuang Electrical Appliances Co., Ltd.	Anhui Tongchuang
Anhui Konka Electrical Appliance Technology Co., Ltd.	Anhui Electrical Appliance
Henan Frestec Refrigeration Appliance Co., Ltd.	Frestec Refrigeration
Henan Frestec Electrical Appliances Co., Ltd.	Frestec Electrical Appliances
Henan Frestec Household Appliances Co., Ltd.	Frestec Household Appliances
Shenzhen Konka Pengrun Technology & Industry Co., Ltd.	Konka Pengrun
Jiaxin Technology Co., Ltd.	Jiaxin Technology
E3info (Hainan) Technology Co., Ltd.	E3info
Shenzhen Konka Yifang Technology Co., Ltd.	Yifang Technology
Dongguan Konka Packing Materials Co., Ltd.	Dongguan Packing

Corporate name	Abbreviation
Shenzhen E2info Network Technology Co., Ltd.	E2info
Beijing Konka Electronic Co., Ltd.	Beijing Konka Electronic
Tianjin Konka Leasing Co., Ltd.	Konka Leasing
Shenzhen Konka Electronic Fittings Technology Co., Ltd.	Fittings Technology
Boluo Konka Precision Technology Co., Ltd.	Boluo Konka Precision
Xiamen Dalong Trading Co., Ltd.	Xiamen Dalong
Boluo Konka PCB Co., Ltd.	Boluo Konka
Chongqing Qingjia Electronics Co., Ltd.	Chongqing Qingjia
Kunshan Kangsheng Investment Development Co., Ltd.	Kunshan Kangsheng
Anhui Kaikai Shijie E-commerce Co., Ltd.	Kaikai Shijie
Hong Kong Konka Co., Ltd.	Hong Kong Konka
Konka Electrical Appliances Investment & Development Co., Ltd.	Konka Electrical Appliances Investment
Chain Kingdom Co., Limited	Chain Kingdom
Chain Kingdom (Shenzhen) Co., Limited	Chain Kingdom (Shenzhen)
Shenzhen Konka Plastic Products Co., Ltd.	Plastic Products
Konka SmartTech Limited	Konka SmartTech
Kangjietong (Hong Kong) Limited	Kangjietong
Konka Electrical Appliances International Trading Co., Ltd.	Konka Electrical Appliances International Trading
Shenzhen Konka Investment Holding Co., Ltd.	Konka Investment
Yibin Konka Technology Park Operation Co., Ltd.	Yibin Konka Technology Park
Sichuan Konka Industrial New Town Development Co., Ltd.	Industrial New Town
Shenzhen Konka Capital Equity Investment Management Co., Ltd.	Konka Capital
Konka Suiyong Investment (Shenzhen) Co., Ltd.	Konka Suiyong
Hainan Konka Technology Industry Development Co., Ltd.	Hainan Technology
Shenzhen Kangquan Enterprise Management Consulting Co., Ltd.	Kangquan Enterprise
Shenzhen Konka Electronics Technology Co., Ltd.	Electronics Technology
GuangDong XingDa HongYe Electronic Co., Ltd.	XingDa HongYe
Shanghai Xinfeng Zhuoqun PCB Co., Ltd.	Shanghai Xinfeng
Zhongshan Zewei Kechuang Investment Management Co., Ltd.	Zhongshan Zewei
Nanjing Konka Smart Technology Co., Ltd.	Nanjing Konka
Anhui Konka Zhilian E-Commerce Co., Ltd.	Anhui Zhilian
Konka Huanjia (Dalian) Environmental Technology Co., Ltd.	Konka Huanjia
Shanghai Konka Industrial Co., Ltd.	Shanghai Konka

Corporate name	Abbreviation
Chuzhou Kangyong Health Industry Development Co., Ltd.	Chuzhou Kangyong
Yantai Konka Industrial Co., Ltd.	Yantai Konka
Yantai Kangjin Technology Development Co., Ltd.	Yantai Kangjin
Shandong Kangxin Industrial Development Co., Ltd.	Shandong Kangxin
Shandong Econ Technology Co., Ltd. (inclusive of its consolidated subsidiaries)	Econ Technology
Jiangxi Konka New Material Technology Co., Ltd.	Jiangxi Konka
Jiangxi Xinfeng Microcrystalline Jade Co., Ltd.	Xinfeng Microcrystalline
Jiangxi Golden Phoenix Nano Crystallized Glass Co., Ltd.	Nano Crystallized Glass
Shenzhen Kangxinwei Semiconductor Co., Ltd.	Shenzhen Kangxinwei
Shenzhen Meixin Semiconductor Technology Co., Ltd.	Shenzhen Meixin
Hefei Kangxinwei Storage Technology Co., Ltd.	Hefei Kangxinwei
Shenzhen Nianhua Enterprise Management Co., Ltd.	Shenzhen Nianhua
Shenzhen Konka Eco-Development Investment Co., Ltd.	Konka Eco-Development
Konka Ronghe Industrial Technology (Foshan) Co., Ltd.	Konka Ronghe
Suining Konka Industrial Park Development Co., Ltd.	Suining Konka Industrial Park
Sichuan Kangjiatong Supply Chain Management Co., Ltd.	Kangjiatong
Shenzhen Konka Suyuan Investment Industrial Co., Ltd.	Konka Suyuan

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 15 February 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 31 December 2018, business results and cash flows for 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 are mainly engaged in the production and sales of colour TVs, white goods, mobile phones, etc.; trade business of supply chain, environmental protection, commercial factoring, and etc. 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, the recognition of completion of construction contract, and research development expenditure. 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 overseas subsidiaries of the Company should confirm the HK Dollar and Euro as their recording currency according to its major economic environment of their operating address. 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 refers 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, 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”.

If the company disposes the equity investment in the subsidiary company until the loss of control through multiple transactions, it is necessary to distinguish whether the transactions disposing the equity investment in the subsidiary company until the loss of control belong to package transactions. 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 losses 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 shareholders’ 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 shareholders’ 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 shareholders' equity in the balance sheet shall be all restated as gains and losses of the disposal period.

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

9. Financial Instruments

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

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

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refers to the prices available from stock exchange, broker's agencies, guilds, pricing organization and etc., which represent the actual trading price under equal transaction. Where there is no active market for a financial instrument, the enterprise

concerned shall adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc., to determine its fair value.

(2) Classification, recognition and measurement of financial assets

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

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

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

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

The financial assets meeting any of the following requirements shall be designated as financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period for initial recognition: A. the designation can eliminate or significantly reduce the difference of relevant gains and losses between recognition and measurement causing from different bases for measurement of financial assets; B. The official written documents for risk management and investment strategies of the enterprise have clearly stated that it shall ,manage, evaluate and report to important management personnel based on the fair value, about the financial assets group or the group of financial assets & liabilities which the financial assets are belong to.

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

② Held-to-maturity investment

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

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

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different 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. Except that derivative instruments designated as arbitrage tool with highly effective hedging whose gains or losses formed by changes in fair value recognized the periods for being recorded into profit or loss according to the nature of hedging relations and requirements of hedging accounting, the fair value changes of other derivative instruments are recognized into the current 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 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	To make an independent impairment test and if there was no impairment, should not withdraw the bad debts provision.

Item	Withdrawal method
Company	

In the group, except subsidiary Econ Technology, adopting aging analysis method to withdraw bad debt provision:

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year, similarly hereinafter)	2	2
1-2 years	5	5
2-3 years	20	20
3-4 years	50	50
4-5 years	50	50
Over 5 years	100	100

In the group, subsidiary Econ Technology 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)	5	5
1-2 years	10	10
2-3 years	30	30
3-4 years	50	50
4-5 years	80	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.

if the Company transfers accounts receivable to financial institutions not by right of recourse, the balance between transaction amounts deducting the carrying value of written-off accounts receivable and relevant taxes shall be recorded into the current profit and loss.

11. Inventory

(1) Classification

The Group's inventories mainly include raw materials, goods in process; merchandise on hand, goods delivered, circulating materials, and property inventories (development product, and development cost), and finished but unsettled assets of construction contract.

- ① Development product refers to the finished and held-for-sale property.
- ② Development costs refers to the unfinished property with the development purpose for sale.
- ③ The finished but unsettled assets of construction contract refers to the excess amount of the sum of accumulatively incurred costs and recognized gross margin (loss) of contract in process over the settled amount.

(2) Pricing method for outgoing inventories

① Pricing method of common 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.

② Pricing method of property inventories

The property inventories are initially measured at the costs, and inventories mainly include materials in stock, development product in process (development costs), finished development product, and development product intended to sell but rent temporarily, and etc. The costs of the development product 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. When the inventories are delivered, its actual costs shall be recognized by weighted average method.

③ Pricing method of construction contract

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.

(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. For inventories that are produced and sold in the same region with same or similar end use or purposes, and hard to be measured separately from other items, it shall be made merger provisions for falling price 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 shareholders' 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 shareholders' 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 net salvage value (%)	Annual depreciation (%)
Housing and building	Straight-line depreciation	20-40	5-10.00	2.25-4.75
Machinery equipment	Straight-line depreciation	5-10	5-10.00	9.00-19.00
Electronic equipment	Straight-line depreciation	3-5	5-10.00	18.00-31.67
Transportation vehicle	Straight-line depreciation	3-5	5-10.00	18.00-31.67
Other equipment	Straight-line depreciation	5	5-10.00	18.00-19.00

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 dismissal welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (dismiss ion 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; for goods directly traded in overseas, the revenue shall be recognized when customers pick up the goods or the goods are delivered to the assigned place by customers.

(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) 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 incurred labor costs to the estimated total costs.

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.

(4) Business income of BOT and PPP

The Company participates in the construction of public infrastructure by means of BOT and PPP. During the construction period, the Company recognizes the relevant revenue and expenses from providing services in accordance with ASBE No. 15 - Construction Contracts. After the completion of infrastructure, the Company recognizes the revenue from related to follow-up services in accordance with ASBE No. 14 - Revenue.

Revenue from construction contracts is measured at the fair value of collected consideration or consideration receivable (generally the amount of construction contracts), and financial assets or intangible assets are recognized, in the recognition of revenue, in the following circumstances:

① The contract stipulates that within a certain period after the completion of infrastructure, the company undertaken the project may unconditionally collect money or other financial assets of a fixed amount from the party awarding the contract; or, where the services fee charged by the company undertaken the project is lower than a specified amount, and the party awarding the contract is responsible for compensating the relevant price difference to the company undertaken the project in accordance with the contract, in the recognition of revenue, financial assets are recognized and treated in accordance with the provisions of ASBE No. 22 - Recognition and Measurement of Financial Instruments.

② The contract stipulates that the Company has the right to collect fees from the party receiving services within a certain period of time after the completion of relevant infrastructure. However, if the amount of fees is uncertain, this right does not constitute an unconditional right to collect cash. The Company undertaken the project shall recognize intangible assets in the recognition of revenue.

In case that interest on borrowing occurs in the construction process, it shall be treated in accordance with the provisions of ASBE No. 17 - Borrowing Costs.

In case that the project company fails to provide actual construction services and contracts

the infrastructure construction to other parties, there will be no recognition of revenue from construction services, and the project price paid in the construction process is recognized as financial assets or intangible assets in accordance with the contract.

(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) Finance lease income

As a financial lessor, the Company recognizes, on the beginning date of the lease term, the sum of the minimum rental receivables on the lease start date and the initial direct costs as the entry value of financial lease receivable, and records the unguaranteed residential value. The difference between the sum of minimum rental receivables plus the unguaranteed residential value and the present value is recognized as unrealized financing revenue.

Unrealized financing revenue is measured using the real interest rate method during the lease term and recognized as current financing lease revenue. Contingent rents are included in current profits and losses when they actually occur.

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

(1) Termination of operation

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”

(1) Hedging Accounting

To avoid certain risks, the Company carries out hedging of some financial instruments as hedging tools. The Company treats hedging that meets specified conditions using hedging accounting method. The Company's hedging is fair -value hedging, and treats the hedging of foreign exchange risk with definite undertaking at fair value. At the beginning of hedging, the Company records the relationship between hedging tools and hedged items, risk management objectives and strategies for different hedging transactions. In addition, at the beginning and after the hedging, the Company conducts continuous evaluation of the effectiveness of hedging to check whether the hedging is highly effective during the accounting period in which the hedging relationship is designated.

Fair value hedging is a qualified derivative instrument designated for fair value hedging, and the gains or losses resulting from its changes in fair value are included in the current profits and losses. The gains or losses of the hedged items due to hedged risks are also included in the current profits and losses, and the book value of the hedged items is also adjusted. When the Company cancels the designation of hedging relationship, the hedging instrument expires or is sold, the contract is terminated or exercised, or the conditions are no longer satisfied, the use of hedging accounting is terminated.

28. Changes in Main Accounting Policies and Estimates

(1) Changes of accounting policies

In accordance with the Notes on Revising and Printing the Format of 2018 General Enterprises Financial Statement (CK [2018] No. 15) issued by the Ministry of Finance 15 June 2018, the Company revised the format of Financial Statements as follows:

① Balance sheet: the items of original “Notes receivable” and “Accounts receivable” are incorporated into the item of “Notes and accounts receivable”; the items of original “Interest receivable”, “Dividends receivable” and “Other receivables” are incorporated into the item of “Other receivables”; the items of “Fixed assets” and “Disposal of fixed assets” are incorporated into the item of “Fixed assets”; the items of original “Engineering material” and “Construction in process” are incorporated into the item of “Construction in process”; the items of original “Notes payable” and “Accounts payable” are incorporated into the item of “Notes and accounts payable”; the items of original “Interest payable”, “Dividends payable”, and “Other payables” are incorporated into the item of “Other payables”; the items of

original “long-term accounts payable” and “specific payable” are incorporated into the item of “long-term accounts payable”.

② Income Statement; the item of “Administrative expense” is divided into “Administrative expense” and “R&D expense” to be presented and listed; the item of “financial cost” in income statement add the items of “interest cost” and “interest income” to be presented and listed.

③ Statements of Changes in Owners’ Equity: newly adding the item of “Changes in defined benefit pension schemes transferred to retained earnings”

The items of 2017 financial statements after retroactive adjustment are as follows:

Unit: RMB

Before		After	
Item	Amount	Item	Amount
Notes receivable	5,178,668,988.23	Notes and accounts receivable	8,621,764,935.49
Accounts receivable	3,443,095,947.26		
Interest receivable	1,813,256.77		
Dividends receivable	-	Other receivables	184,218,356.16
Other receivables	182,405,099.39		
Fixed assets	1,587,170,348.35	Fixed assets	1,587,170,348.35
Disposal of fixed assets	-		
Construction in process	135,863,821.01	Construction in process	135,863,821.01
Engineering material	-		
Notes payable	541,175,312.09	Notes and accounts payable	4,153,391,578.68
Accounts payable	3,612,216,266.59		
Interest payable	35,723,963.94		
Dividends payable	-	Other payables	1,644,083,269.81
Other payables	1,608,359,305.87		
Administrative expense	777,713,680.46	Administrative expense	448,036,697.96
		R&D expense	329,676,982.50

(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, 233, 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 leasee, 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 Chengdu Anren of 5%.
Enterprise income tax	For Hong Kong Konka, Konka Household Appliances Investment, Konka Household Appliances International Trading, Konka Zhisheng, Jiali International, Jiaxin Technology, Kangjietong and Chain Kingdom whose assessable profit did not exceed HKD2,000,000.00, they paid at 8.25%, and if their assessable profit exceeded HKD2,000,000.00, they paid at 16.5%; Anhui Konka, E-display, Boluo Konka Precision, Telecommunication Technology, Wankaida, Jiangxi Konka, Xinfeng Microcrystalline, Nano Crystallized Glass, Commercial System Technology, Dongguan Konka, Econ Technology, E2info, XingDa HongYe and Kangqiao Easy Chain of 15%; and Europe Konka of 31.8%. 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. Shanghai Konka paid at 1%.

Note: (1) The original tax rate applied by the Company on VAT taxable sales or imported goods was 17%/11%. According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of VAT Tax Rate (CS [2018] No. 32), the applicable tax rate is adjusted to 16%/10%, being effective from 1 May 2018.

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

(3) According to regulations of Temporary Provisions of Income Tax of Trans-boundary Tax Payment Enterprises by State Administration of Taxation, resident enterprises without business establishment or places of legal persons should be tax payment enterprises with the administrative measures of income tax of "unified computing, level-to-level administration, local prepayment, liquidation summary, and finance transfer". It came into force from 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.

2. Tax Preference and Approved Documents

(1) 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.

(2) 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.

(3) On 30 November 2016, Boluo Konka Precision Technology Co., Ltd., the subsidiary of this Company obtained the High-tech Enterprise Certificate (certificate No.: GR201644001388) 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 2016 to 2018 and pays the enterprise income tax as per the preferential tax rate of 15%.

(4) On 15 August 2017, Shenzhen Konka Telecommunications Technology Co., Ltd., the subsidiary of this Company obtained the high-tech enterprise certificate (certificate No.: SZ20170142) 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%.

(5) 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%.

(6) On 23 August 2017, Jiangxi Konka New Material Technology Co., Ltd., the subsidiary of this Company obtained the High-tech Enterprise Certificate (certificate No.: GR201736000497) jointly issued by Department of Science and Technology of Jiangxi Province, Department of Finance of Jiangxi Province, Jiangxi Provincial Office, SAT, Jiangxi 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) On 23 August 2017, Jiangxi Golden Phoenix Nano Crystallized Glass Co., Ltd., the subsidiary of Jiangxi Konka obtained the High-tech Enterprise Certificate (certificate No.: GR201736000110) jointly issued by Department of Science and Technology of Jiangxi Province, Department of Finance of Jiangxi Province, Jiangxi Provincial Office, SAT, Jiangxi 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%.

(8) On 15 November 2016, Jiangxi Xinfeng Microcrystalline Jade Co., Ltd the subsidiary of Jiangxi Konka obtained the High-tech Enterprise Certificate (certificate No.: GR201636000487) jointly issued by Department of Science and Technology of Jiangxi Province, Department of Finance of Jiangxi Province, Jiangxi Provincial Office, SAT, Jiangxi 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 2016 to 2018 and pays the enterprise income tax as per the preferential tax rate of 15%.

(9) 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%.

(10) 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%.

(11) On 28 December 2017, Econ Technology, a subsidiary of the Company, obtained the High-tech Enterprise Certificate (certificate No.: GR201737001495) jointly issued by Department of Science and Technology of Shangdong Province, Department of Finance of Shangdong Province, Shangdong Provincial Office, SAT, Shangdong Local Taxation Bureau with a valid period of three years. According to the relevant tax regulations, the company 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%.

(12) On 16 October 2018, Shenzhen E2info Network Technology Co., Ltd., the subsidiary of this Company obtained the high-tech enterprise certificate (certificate No.: GR201844201969) jointly issued by Shenzhen Technology Innovation Committee, Finance Committee of Shenzhen Municipality, Shenzhen Taxation Bureau of SAT 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 2018 to 2020 and pays the enterprise income tax as per the preferential tax rate of 15%.

(13) On 28 November 2018, GuangDong XingDa HongYe Electronic Co., Ltd., the subsidiary of this Company, was listed in the Second Batch of Name List of Proposed Hi-tech Enterprise in Guangdong Province for Y2018 published by the National Leading Group Office for the Management of High-tech Enterprises Recognition, which has a great possibility of getting the high-tech enterprise certificate. The company shall pay the enterprise income tax as per the preferential tax rate of 15%.

(14) 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.

(15) 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 for three years and halved in next three years. Lairun Holdings was registered and recorded in 12 April 2018 in Laizhou Taxation Bureau of Shandong Province.

(16) 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, E-display Service and Electronics Technology all enjoy this preferential policy.

(17) 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, a subsidiary of Econ Technology, 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 25 August 2017 in Laizhou Taxation Bureau of Shandong Province.

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 31 December 2018 and this period refers to Y2018 with the last period of Y2017.

1. Monetary Funds

Item	Ending balance	Beginning balance
Cash on hand	130,105.31	49,343.08
Bank deposits	3,440,007,099.2	3,097,850,360.68
Other monetary funds	908,006,925.02	114,145,147.32
Total	4,348,144,129.53	3,212,044,851.08

Of which: total amount deposited in overseas	518,005,414.06	528,061,190.55
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Notes: ① The ending balance of other monetary fund was the deposits of each margin deposit not withdrawn at any time.

② As of 31 December 2018, the monetary funds deposited in overseas by the Company was RMB518,005,414.06 (RMB535,621,931.96 on 31 December 2017)

2. Financial Assets at Fair Value through Profit or Loss

Item	Ending balance	Beginning balance
forward exchange contract income	5,464,984.92	296,799.53
Total	5,464,984.92	296,799.53

3. Notes and Accounts Receivable

Item	Ending balance	Beginning balance
Notes receivable	3,329,711,954.15	5,178,668,988.23
Accounts receivable	4,458,053,586.42	3,443,095,947.26
Total	7,787,765,540.57	8,621,764,935.49

(1) Notes Receivable

① Notes Receivable Listed by Category

Item	Ending balance	Beginning balance
Bank acceptance bill	2,507,070,633.02	3,324,023,541.23
Commercial acceptance bill	822,641,321.13	1,854,645,447.00
Total	3,329,711,954.15	5,178,668,988.23

② Notes Receivable Pledged by the Company at the Period-end

Item	Amount
Bank acceptance bill	1,320,095,737.06
Commercial acceptance bill	1,359,122.95
Total	1,321,454,860.01

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	4,639,449,373.06	
Commercial acceptance bill	64,349,424.18	

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Total	4,703,798,797.24	

④ Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement

Item	Amount of the notes transferred to accounts receivable at the period-end
Bank acceptance bill	
Commercial acceptance bill	940,027,889.84
Total	940,027,889.84

(2) Accounts Receivable

① Accounts Receivable Classified by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with significant individual amount and make independent provision for bad debt	964,449,440.20	19.79	85,924,060.45	8.91	878,525,379.75
Accounts receivable withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	3,833,070,919.30	78.66	275,332,151.06	7.18	3,557,738,768.24
Subtotal of groups	3,833,070,919.30	78.66	275,332,151.06	7.18	3,557,738,768.24
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	75,459,154.80	1.55	53,669,716.37	71.12	21,789,438.43
Total	4,872,979,514.30	100.00	414,925,927.88	8.51	4,458,053,586.42

(Continued)

Category	Beginning balance					Carrying value
	Carrying amount		Bad debt provision		Withdrawal proportion	
	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	3,664,952,156.09	97.62	241,524,112.19	6.59	3,423,428,043.90	
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	
Total	3,754,123,196.25	100.00	311,027,248.99	8.28	3,443,095,947.26	

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

Accounts receivable (classified by units)	Ending balance			
	Account receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal Reason
Shanghai Huaxin International Group Co., Ltd	300,027,889.84	27,002,510.09	9.00	Difficult to recover all
Hiteker SanPower High-tech Co., Ltd	200,000,000.00	10,000,000.00	5.00	Difficult to recover all

Yizhong Energy International Logistics Group Co., Ltd	130,000,000.00	6,500,000.00	5.00	Difficult to recover all
Elion Resources Group Co., Ltd	120,000,000.00	6,000,000.00	5.00	Difficult to recover all
China Nuclear Engineering Construction Group Co., Ltd	90,000,000.00	4,500,000.00	5.00	Difficult to recover all
Tahoe Group Co. Ltd	50,000,000.00	2,500,000.00	5.00	Difficult to recover all
China Energy Electric Fuel Co., Ltd	50,000,000.00	5,000,000.00	10.00	Difficult to recover all
DSC HOLDINGS LIMITED	24,421,550.36	24,421,550.36	100.00	Difficult to recover all
Total	964,449,440.20	85,924,060.45	—	---

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

Accounts receivable (classified by units)	Ending balance			Withdrawal Reason
	Account receivable	Bad debt provision	Withdrawal proportion (%)	
H-BUSTER DO BRASIL INDUSTRIA	18,875,942.72	18,875,942.72	100.00	Difficult to recover all
TREEVIEWBUSINESS REGITER	11,801,034.50	1,341,891.83	11.37	Difficult to recover all
HENAN BROADCAST & TELEVISION NETWORK CO., LTD.	4,580,000.00	1,374,000.00	30.00	Difficult to recover all
HILEVEL CONSUMER ITALIA S.P.A	3,543,056.03	3,543,056.03	100.00	Difficult to recover all
XINJIANG UYGUR AUTONOMOUS REGION BROADCAST FILM & TELEVISION BUREAU	1,708,054.00	546,577.28	32.00	Difficult to recover all
Total	40,508,087.25	25,681,467.86	---	---

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

Aging	Ending balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)

Aging	Ending balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	3,394,733,686.71	80,508,855.01	2.37
1 to 2 years	251,520,114.19	20,648,490.82	8.21
2 to 3 years	4,459,922.55	1,104,904.60	24.77
3 to 4 years	18,380,302.26	9,190,151.14	50.00
4 to 5 years	196,721.54	99,577.45	50.62
Over 5 years	163,780,172.05	163,780,172.05	100.00
Total	3,833,070,919.30	275,332,151.06	

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 RMB97,556,693.52, and the increased amount of bad debt provision due to combination was of RMB24,919,241.85; the amount of the reversed or collected part during the Reporting Period was of RMB13,371,164.31. The decreased amount was RMB5,206,092.17 due to the loss of controlling right of subsidiaries.

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 RMB1,321,080,092.52, accounting for 27.11% of total closing balance of account receivable, the relevant ending balance of bad debt provision withdrawn was RMB62,512,522.50.

4. Prepayments

(1) List 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	1,029,600,745.72	98.97	57,459.57	466,156,792.72	99.06	175,964.90

Aging	Ending amount			Beginning amount		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
1 to 2 years	7,171,926.78	0.69	435,914.85	1,199,279.69	0.25	565,892.65
2 to 3 years	543,662.41	0.05	---	23,736.73	0.01	---
Over 3 years	3,034,224.15	0.29	2,878,017.08	3,208,755.30	0.68	2,723,615.15
Total	1,040,350,559.06	100.00	3,371,391.50	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) The total amount of top five of prepayment of ending balance collected by arrears party was RMB375,850,722.16, accounting for 36.13% of total ending balance of prepayment.

(3) The withdrawal amount of bad debt provision this year was of RMB33,969.26; the collected or reversed bad debt provision was RMB151,142.26 this year; and there was no write-off bad debt provision; the increased amount was of RMB23,091.80 due to changes in exchange rate.

5. Other Receivables

Item	Ending balance	Beginning balance
Interest receivable	4,059,682.40	1,813,256.77
Dividends receivable	547,848.62	-
Other receivables	406,196,649.48	182,405,099.39
Total	410,804,180.50	184,218,356.16

(1) Interest Receivable

Item	Ending balance	Beginning balance
Fixed time deposits	3,440,237.63	1,422,238.38
Entrusted loans	48,888.89	391,018.39
Factoring interest	570,555.88	
Total	4,059,682.40	1,813,256.77

(2) Dividends receivable

Item (or investees)	Ending balance	Beginning balance
Chongqing qingjia	547,848.62	---
Total	547,848.62	---

(3) Other Receivables

① Other Receivables Classified by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion	
Other receivables with significant individual amount and make independent provision for bad debt	183,915,489.33	29.70	173,300,179.23	94.23	10,615,310.10
Other receivables withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	434,706,709.91	70.19	39,622,114.57	9.11	395,084,595.34
Subtotal of groups	434,706,709.91	70.19	39,622,114.57	9.11	395,084,595.34
Other receivables with insignificant single amount for which bad debt provision separately accrued	703,518.00	0.11	206,773.96	29.39	496,744.04
Total	619,325,717.24	100.00	213,129,067.76	34.41	406,196,649.48

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion	
Other receivables with significant individual amount and make independent provision for bad debt	183,915,489.33	47.74	173,320,694.97	94.24	10,594,794.36
Other receivables withdrawn bad					

Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion	Amount	Withdrawal proportion	
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
Subtotal of groups	198,796,860.68	51.61	28,768,843.02	14.47	170,028,017.66
Other receivables 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
Total	385,228,531.06	100.00	202,823,431.67	52.65	182,405,099.39

A. Other receivables with significant individual amount and make independent provision for bad debt at the period-end

Other receivables (by unit)	Ending balance			
	Other receivables	Bad debt provision	Withdrawal proportion	Withdrawal reason
Energy saving subsidy	152,402,680.00	152,402,680.00	100.00%	Irrecoverable
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	18,115,952.51	7,500,642.41	41.40%	Assessment irrecoverable for part of the amount
Chongqing Konka Auto Electronic Company	13,396,856.82	13,396,856.82	100.00%	Irrecoverable, under bankruptcy liquidation
Total	183,915,489.33	173,300,179.23	—	—

B. 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	282,147,748.63	6,123,073.51	2.17
1 to 2 years	111,966,212.63	8,340,278.22	7.45
2 to 3 years	8,970,642.49	1,836,551.60	20.47
3 to 4 years	5,459,223.01	2,729,611.51	50.00

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion
4 to 5 years	9,940,013.33	4,969,729.92	50.00
Over 5 years	16,222,869.82	16,222,869.82	100.00
Total	434,706,709.91	39,622,114.57	

② Other Account Receivable Classified by Account Nature

Nature	Ending carrying amount	Beginning carrying amount
Energy-saving subsidies	152,402,680.00	152,402,680.00
Intercourse funds	51,914,614.91	68,258,009.31
Borrowings of related-parties	190,535,636.18	27,396,856.82
Buyout financial service income receivable	29,403,385.01	17,115,968.70
Other external borrowings	53,891,530.62	-
Deposit and margin	59,252,474.98	31,270,504.40
Equity transferred money	18,228,687.41	23,715,952.51
Pretty cash	3,500,807.51	5,595,851.91
Others	60,195,900.62	59,472,707.41
Total	619,325,717.24	385,228,531.06

③ 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 6,618,105.76. the amount of the reversed or collected part during the Reporting Period was of RMB 3,788,310.66. The decreased amount was RMB329,503.85 due to the loss of controlling right of subsidiaries. The increased bad debt provision was RMB7,781,717.39 due to subsidiaries' corporation; the increased bad debt provision was RMB23,627.45 due to changes in exchange rate.

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	Subsidies	152,402,680.00	3-4 years, over 5 years	24.61	152,402,680.00

Name of units	Nature	Ending balance	Aging	Proportion of ending balance of the total other accounts receivable	Ending balance of bad debt provision
(Energy-saving subsidies)					
Equity transfer of Dai Rongxing and other intercourse funds	Intercourse funds	81,450,139.05	Within 1 year	13.15	1,629,002.78
Jiangxi Meiji Industry Co., Ltd	Intercourse funds	74,788,640.31	Within 1 year	12.08	1,495,772.81
Private equity investment funds No. 1 of Tianrong Rongfeng	Intercourse funds	48,000,000.00	1-2 years	7.75	2,400,000.00
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	Transferred funds	18,115,952.51	4-5 years	2.93	7,500,642.41
Total	—	374,757,411.87	—	60.52	165,428,098.00

6. Inventory

(1) Category of Inventory

Item	Ending balance			
	Carrying amount	Of which: the capitalized amount of the borrowings	Falling price reserves	Carrying value
Development projects of the property:				
Development cost	85,167,073.18	2,470,133.87	—	85,167,073.18
Development products	—	—	—	—
Land intended to develop	70,855,200.00	—	—	70,855,200.00
Subtotal	156,022,273.18	2,470,133.87	—	156,022,273.18
Non-development projects of the property:				
Raw materials	1,122,370,078.37	—	73,754,748.97	1,048,615,329.40
Semi-finished product	89,334,764.13	—	10,260,152.74	79,074,611.39

Item	Ending balance			
	Carrying amount	Of which: the capitalized amount of the borrowings	Falling price reserves	Carrying value
Inventory goods	4,518,051,460.16	—	330,081,328.25	4,187,970,131.91
Finished but unsettled assets from construction contract	70,767,724.57	—	—	70,767,724.57
Subtotal	5,800,524,027.23	—	414,096,229.96	5,386,427,797.27
Total	5,956,546,300.41	2,470,133.87	414,096,229.96	5,542,450,070.45

(Continued)

Item	Beginning balance			
	Carrying amount	Of which: the capitalized amount of the borrowings	Falling price reserves	Carrying value
Development projects of the property:				
Development cost	382,096,368.17	—	—	382,096,368.17
Development products	17,203,260.25	94,119.39	—	17,203,260.25
Subtotal	399,299,628.42	94,119.39	—	399,299,628.42
Non-development projects of the property:				
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	4,613,938,786.94	—	322,874,849.83	4,291,063,937.11
Total	5,013,238,415.36	94,119.39	322,874,849.83	4,690,363,565.53

(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	-
Innovation Center	April 2018	December 2022	77,986,037.70	85,167,073.18
Total			382,096,368.17	85,167,073.18

(3) List of the Developed Products

Name of item	Completion time	Beginning amount	Increase	Decreased	Other decrease	Ending amount
Shuiyue Zhouzhuang Project (Phase I)	2014	3,955,097.73	-	-	3,955,097.73	-
Shuiyue Zhouzhuang Project (Phase II)	2015	2,072,508.39	-	-	2,072,508.39	-
Shuiyue Zhouzhuang Project (Phase III)	2017	11,175,654.13	-	5,473,448.57	5,702,205.56	-
Total		17,203,260.25	-	5,473,448.57	11,729,811.68	-

Note: other increase was due to the loss of the controlling right of subsidiaries in the Reporting Period.

(4) Falling Price Reserves of Inventory

Item	Beginning balance	Increased amount		Decreased amount		Ending balance
		Withdrawal	Increase of merger	Reverse or write-off	Decrease of losing controlling right	
Raw materials	22,807,431.06	15,659,755.51	57,178,835.96	21,891,273.56	-	73,754,748.97
Goods in process	8,475,640.99	9,762,469.66	-	7,977,957.91	-	10,260,152.74
Inventory goods	291,591,777.78	113,999,616.04	3,004,465.39	70,759,603.19	7,754,927.77	330,081,328.25
Total	322,874,849.83	139,421,841.21	60,183,301.35	100,628,834.66	7,754,927.77	414,096,229.96

(5) Withdrawal Provision Basis of the Falling Price of the Inventory and the Reasons of the Reversed or 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
Goods in process	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

(6) Ending balance of the inventory which includes capitalized borrowing expenses was RMB2,470,133.87

(7) Finished but Unsettled Assets from Construction Contract

Item	Amount
Accumulatively incurred costs	1,059,617,631.78
Accumulatively recognized gross margin	442,360,457.21
Less: estimated loss	—
Settled amounts	1,486,055,207.82
Finished but Unsettled Assets from Construction Contract	15,922,881.17

7. Current Portion of Non-current Assets

Item	Ending balance	Beginning balance	Remark
Current portion of long-term receivable	22,318,208.13	-	For details, see Note VI. 10
Total	22,318,208.13	-	

8. Other Current Assets

Item	Ending balance	Beginning balance
Financial products	-	400,063,013.70
Principal and interest of entrusted loans to joint ventures	1,824,523,111.11	-
Entrusted financing	30,000,000.00	979,000,000.00
Unreached bank deposits	-	4,401,110.41

Item	Ending balance	Beginning balance
Prepayments and deductible taxes, and refund of tax for report receivable	794,991,256.00	331,862,744.70
Prepayment of land purchase	75,450,000.00	-
Investment amount to television program	18,900,000.00	-
Others	351,774.87	-
Total	2,744,216,141.98	1,715,326,868.81

9. 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	644,412,666.97	10,747,785.64	633,664,881.33	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	644,412,666.97	10,747,785.64	633,664,881.33	722,860,021.97	10,747,785.64	712,112,236.33
Total	644,412,666.97	10,747,785.64	633,664,881.33	722,918,184.73	10,747,785.64	712,170,399.09

(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	-
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	3,000,000.00	-	9,000,000.00
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	80,000,000.00	-	200,000,000.00
Enraytek Optoelectronics (Shanghai) Co., Ltd.	61,494,666.97	-	-	61,494,666.97
Wuhan Tianyuan Environmental Protection Co., Ltd (Note ①)	239,447,355.00	-	239,447,355.00	-
Ningbo Yuanqing No.9 Investment Partnership Business	-	98,000,000.00	-	98,000,000.00
Chongqing Konka Eurotomotive Electronic Co., Ltd. (Note ②)	-	-	-	-
Total	722,860,021.97	181,000,000.00	259,447,355.00	644,412,666.97

(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	-	-	-	-	-	-
Shenzhen Tianyilian Science & Technology Co., Ltd.	-	-	-	-	6.10	-
Shenzhen A Dot TV Co., Ltd.	-	-	-	-	12.67	-

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increased	Decreased	Period-end		
Feihong Electronics Co., Ltd.	5,750,000.00	-	-	5,750,000.00	9.60	-
ZAEFI	1,300,000.00	-	-	1,300,000.00	-	-
Shenzhen Chuangce Investment Development Co., Ltd.	100,000.00	-	-	100,000.00	1.00	-
Shanlian Information Technology Engineering Center	485,000.00	-	-	485,000.00	9.62	-
Shenzhen CIU Science & Technology Co., Ltd.	1,639,190.80	-	-	1,639,190.80	11.50	-
Shenzhen Digital TV National Engineering Laboratory Co., Ltd.	200,000.00	-	-	200,000.00	6.00	-
Shanghai National Engineering Research Center of Digital TV Co., Ltd.	1,273,594.84	-	-	1,273,594.84	4.26	-
ChinaAMC - Jiayi Overseas Orientation Programs	-	-	-	-	-	17,920,000.00
Hunan Vary Science & Technology Co., Ltd.	-	-	-	-	8.38	-
Beijing Konka Technology Co., Ltd	-	-	-	-	3.23	-
Yibin OCT Sanjiang Real Estate Co., Ltd	-	-	-	-	20.00	-
Enraytek Optoelectronics (Shanghai) Co., Ltd.	-	-	-	-	18.90	-
Wuhan Tianyuan Environmental Protection Co., Ltd (Note ①)	-	-	-	-	20.02	-
Ningbo Yuanqing No.9 Investment Partnership Business	-	-	-	-	13.33	-

Investee	Depreciation reserves				Shareholding proportion among the investees (%)	Cash bonus of the Reporting Period
	Period-begin	Increased	Decreased	Period-end		
Chongqing Konka Eurotomotive Electronic Co., Ltd. (Note ②)	-	-	-	-	-	-
Total	10,747,785.64	-	-	10,747,785.64	-	17,920,000.00

Note: ① The Shareholding ratio of Wuhan Tianyuan Environmental Protection Co., Ltd in the Reporting Period increase to 20.02%. And the Company officially dispatched members of Board, which had a great impact on the Wuhan Tianyuan Environmental Protection Co., Ltd, so it shall transferred to long-term equity investment measured by equity method.

(4) 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

10. Long-term Receivables

(1) List of Long-term Receivables

Item	Ending balance			Beginning balance			Interval of discount rate
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value	
Finance leasing amount	33,575,058.68	-	33,575,058.68	-	-	-	4.35%-8.78%
Of which: unrealized financing income	2,045,709.65	-	2,045,709.65	-	-	-	4.35%-8.78%
Current portion of long-term receivables (for details, see Note VI. 7)	22,318,208.13	-	22,318,208.13	-	-	-	-
Cash deposits of long-term receivables	7,801,495.81	-	7,801,495.81	-	-	-	-
Long-term receivables of projects with franchise rights	349,416,483.56	-	349,416,483.56	-	-	-	-
Total	390,793,038.05	-	390,793,038.05	-	-	-	-

(2) List of Projects with Franchise Rights

Item	Type	Project scale	Franchise right	Date of contract	Operation
PPP Project of water supply and sewage Rushan Silver Beach	PPP	163,558,100.00	Right of charge for sewage disposal	July 2016	Good

(3) Changes in Long-term Receivables of Projects with Franchise Rights

Item	Initial invested amount	Beginning balance	Increased			decreased			Ending balance	Of which: reclassified into current portion of long-term receivables
			Merger increase in the Reporting Period	Newly increased investment amount	Interest income	Principal recover	Interest recover	Other decrease		
PPP Project of water supply and sewage of Rushan Silver Beach	349,416,483.56	-	344,183,646.57	5,232,836.99	-	-	-	-	349,416,483.56	-
Total	349,416,483.56	-	344,183,646.57	5,232,836.99	-	-	-	-	349,416,483.56	-

11. Long-term Equity Investment

Investee	Beginning balance	Increase/decrease in the Reporting Period					
		Additional investment	Increase for combinations	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Konka Ventures Development (Shenzhen) Co., Ltd.	-	2,450,000.00	-	-	-90,951.96	-	-
Nanjing Optical Technology Intelligence Information Research	-	2,000,000.00	-	-	-394,530.13	-	-

Investee	Beginning balance	Additional investment	Increase/decrease in the Reporting Period					
			Increase for combinations	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	
Institute Co., Ltd								
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	2,425,262.66	-	-	-	-1,647,306.08	-	-	-
Chongqing Qingjia Electronics Co., Ltd. (①)	-	-	-	-	-	-	-	-
Shenzhen Jielunte Technology Co., Ltd. (formerly known as: Shenzhen Konka Precision Mould Manufacturing Co., Ltd)	99,562,391.48	-	-	-	-16,232,947.80	-	-	-
Panxu Intelligence Co., Ltd	48,417,046.08	-	-	-	800,503.44	-47,390.23	-	-
Beijing Konka Jingyuan Technology Co., Ltd	-	760,000.00	-	-	-741.06	-	-	-
Shenzhen Konka Suyuan Investment Industrial Co., Ltd.	-	-	-	-	-	-	-	-
Xiamen Konka Panxu Equity Investment Management Co., Ltd	-	-	-	-	-	-	-	-

Investee	Beginning balance	Increase/decrease in the Reporting Period					
		Additional investment	Increase for combinations	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Oriexcellent (Zhuhai) Assets Management Co., Ltd	-	6,000,000.00	-	-	-3,242,442.69	-	-
Ningbo Yongkang Investment Management Co., Ltd	-	-	-	-	-	-	-
Flying Tech (Shenzhen) Co., Ltd	-	6,000,000.00	-	-	-1,131,201.64	-	-
Weihai City Water Environmental Protection Technology Co., Ltd (②)	-	51,000,000.00	-	-	-70,570.55	-	-
Weihai Yiheng Environment Technology Co.,Ltd (②)	-	-	2,027,201.88	-	413,231.38	-	-
Laizhou Lairun Financial Leasing Co., Ltd (②)	-	-	4,337,942.19	-	233,530.51	-	-
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd (②)	-	-	100,033,567.26	100,033,567.26	-	-	-
Shandong Bishuiyuan Environmental Protection Technology Co., Ltd (②)	-	-	63,492,789.75	-	-3,820,856.12	-	-

Investee	Beginning balance	Additional investment	Increase/decrease in the Reporting Period				
			Increase for combinations	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Shenzhen RF-LINK Technology Co., Ltd.	-	-	22,232,418.57	-	2,512,650.91	-	-
Shenzhen Yaode Technology Co., Ltd.	-	98,000,000.00	-	-	2,627,067.11	-	-349,514.56
Chutian Dragon Co., Ltd	26,462,212.34	-	-	-	194,455.24	-	-
Konka Green, and Konka Technology (③)	210,279,132.55	-	-	-	11,931,702.63	-	-
Zhuhai Jinsu Plastic Co., Ltd.	617,214,571.50	-	-	-	13,423,191.54	-	-5,792,158.11
Shenzhen Konka Intelligent Electrical Appliance Technology Co., Ltd	79,729,560.91	-	-	-	-2,107,745.08	788,087.31	-
Shenzhen Zhongbing Konka technology Co., Ltd.	9,444,160.97	-	-	-	1,596,085.85	-	-
Guangdong Hotcomm Information Technology Co., Ltd	4,927,589.47	-	-	-	-2,640,110.95	-	-
Zhonggao Konka Intelligent Technology (Beijing) Co., Ltd	14,317,400.80	-	-	-	-3,699,527.01	-	-
Shenzhen OCT Life	1,523,166.24	-	-	-	-1,523,166.24	-	-

Investee	Beginning balance	Additional investment	Increase/decrease in the Reporting Period					
			Increase for combinations	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	
Network Technology Co., Ltd								
Kunshan Konka Electronics Co., Ltd.	-	-	-	-	-	-	-	-
Kunshan Kangsheng Investment Development Co., Ltd.	-22,084.12	3,771,400.00	-	-	-156,801.82	-	-	
Anhui Kaikai Shijie E-commerce Co., Ltd.	205,706,932.86	-	-	-	-5,012,466.06	-	-	
Shenzhen Bosser New Materials Co., Ltd.	-	-	-	-	-	-	-	
Heilongjiang Longkang Zhijia Technology Co., Ltd	-	-	-	35,053,749.75	11,738,814.32	-	-	
Shanxi Silk Road Yunqi Intelligent Technology Co., Ltd	-	75,000,000.00	-	-	4,859,338.44	-	-	
Wuhan Tianyuan Environmental Protection Co., Ltd	-	7,000,000.00	-	-	-599,519.48	-	-	
Konka Ventures Development (Shenzhen)	-	5,400,000.00	-	-	-877,490.67	-	-	

Investee	Beginning balance	Increase/decrease in the Reporting Period					
		Additional investment	Increase for combinations	Decreased investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes
Co., Ltd.							
Nanjing Intelligence Optical Technology Research Institute Co., Ltd	-	-	-	-	12,822,900.47	-	-
Total	1,319,987,343.74	257,381,400.00	192,123,919.65	135,087,317.01	19,905,096.50	740,697.08	-6,141,672.67

(Continued)

Investee	Increase/decrease in the Reporting Period						Ending balance	Ending balance of impairment provision for assets
	Declaration of cash dividends or profits	Withdrawn impairment provision	Cost method converted into equity method	Financial assets converted into equity method	Other			
Konka Ventures Development (Shenzhen) Co., Ltd.	-	-	-	-	-	2,359,048.04	-	
Nanjing Intelligence Optical Information Technology Research Institute Co., Ltd	-	-	-	-	-	1,605,469.87	-	
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	-	-	-	-	-	777,956.58	-	
Chongqing Qingjia Electronics Co., Ltd. (①)	-	-	19,750,739.24	-	-	19,750,739.24	-	
Shenzhen Jielunte Technology Co., Ltd. (formerly	-	-	-	-	-	83,329,443.68	-	

Investee	Increase/decrease in the Reporting Period					Ending balance	Ending balance of impairment provision for assets
	Declaration of cash dividends or profits	Withdrawn impairment provision	Cost method converted into equity method	Financial assets converted into equity method	Other		
known as: Shenzhen Konka Precision Mould Manufacturing Co., Ltd)							
Panxu Intelligence Co., Ltd	-	-	-	-	-	49,170,159.29	-
Beijing Konka Jingyuan Technology Co., Ltd	-	-	-	-	-	759,258.94	-
Shenzhen Konka Suyuan Investment Industrial Co., Ltd.	-	-	-	-	-	-	-
Xiamen Konka Panxu Equity Investment Management Co., Ltd	-	-	-	-	-	-	-
Oriexcell (Zhuhai) Assets Management Co., Ltd	-	-	-	-	-	2,757,557.31	-
Ningbo Yongkang Investment Management Co., Ltd	-	-	-	-	-	-	-
Flying Tech (Shenzhen) Co., Ltd	-	-	-	-	-	4,868,798.36	-
Nanjing K-Star Technology Industrial Park Operation Management Co., Ltd	-	-	-	-	-	50,929,429.45	-
Weihai City Water Environmental Protection Technology Co., Ltd (②)	-	-	-	-	-	2,440,433.26	-
Weihai Yiheng Environment Technology Co., Ltd (②)	-	-	-	-	-	4,571,472.70	-
Laizhou Lairun Financial Leasing Co., Ltd (②)	-	-	-	-	-	-	-
Binzhou Beihai Weiqiao Solid Waste Disposal Co.,	-	-	-	-	-	59,671,933.63	-

Investee	Increase/decrease in the Reporting Period					Ending balance	Ending balance of impairment provision for assets
	Declaration of cash dividends or profits	Withdrawn impairment provision	Cost method converted into equity method	Financial assets converted into equity method	Other		
Ltd (②)							
Shandong Bishuiyuan Environmental Protection Technology Co., Ltd (②)	-	-	-	-	-	24,745,069.48	-
Shenzhen RF-LINK Technology Co., Ltd.	-	-	-	-	-	100,277,552.55	-
Shenzhen Konka Information Network Co., Ltd	-	-	-	-	-	26,656,667.58	-
Shenzhen Yaode Technology Co., Ltd.	-	-	-	-	-	222,210,835.18	-
Chutian Dragon Co., Ltd	-	-	-	-	-	624,845,604.93	-
Konka Green, and Konka Technology (③)	-	-	-	-	-	78,409,903.14	-
Zhuhai Jinsu Plastic Co., Ltd.	-	-	-	-	-	11,040,246.82	-
Shenzhen Konka Intelligent Electrical Appliance Technology Co., Ltd	-	-	-	-	-	2,287,478.52	-
Shenzhen Zhongbing Konka technology Co., Ltd.	-	-	-	-	-	10,617,873.79	-
Guangdong Hotcomm Information Technology Co., Ltd	-	-	-	-	-	-	-
Zhonggao Konka Intelligent Technology (Beijing) Co., Ltd	-	-	-	-	-	-	-
Shenzhen OCT Life Network Technology Co., Ltd	-	-	-	-	-	3,592,514.06	-
Kunshan Konka Electronics Co., Ltd.	-	-	-	-	-	200,694,466.80	-
Kunshan Kangsheng Investment Development Co.,	-	-	269,673,264.00	-	-	269,673,264.00	-

Investee	Increase/decrease in the Reporting Period					Ending balance	Ending balance of impairment provision for assets
	Declaration of cash dividends or profits	Withdrawn impairment provision	Cost method converted into equity method	Financial assets converted into equity method	Other		
Ltd.							
Anhui Kaikai Shijie E-commerce Co., Ltd.	-	-	460,000,000.00	-	-	436,685,064.57	-
Shenzhen Bosser New Materials Co., Ltd.	-	-	-	-	-	79,859,338.44	-
Heilongjiang Longkang Zhijia Technology Co., Ltd	-	-	-	-	-	6,400,480.52	-
Shanxi Silk Road Yunqi Intelligent Technology Co., Ltd	-	-	-	-	-	4,522,509.33	-
Wuhan Tianyuan Environmental Protection Co., Ltd	-	-	-	239,447,355.00	-	252,270,255.47	-
Total	-	-	749,424,003.24	239,447,355.00	-	2,637,780,825.53	-

① On 25 October 2018, Runtas Group delegated 20% of Chongqing Qingjia's voting rights to Chongqing Machinery Mechanical & Electronics Holding (Group) Co., Ltd. (CME) for management and exercise. Runtas Group and CME jointly hold 60% of Chongqing Qingjia's equity, and the Company has no control rights thereafter.

② Weihai Water Environmental Protection Technology Co., Ltd., Weihai Yiheng Environmental Technology Co., Ltd., Laizhou Lairun Financial Leasing Co., Ltd., Beihai Weiqiao Solid Waste Disposal Co., Ltd., Shandong Bishuiyuan Environmental Protection Technology Co., Ltd. and Yantai Econ Enterprise Management Centre (Limited Partnership) are included by the acquisition of Econ Technology.

12. Investment Property

Item	Houses and buildings
I. Original carrying value	
1. Beginning balance	249,923,047.75
2. Increased amount of the period	-
3. Decreased amount of the period	-
4. Ending balance	249,923,047.75
II. The accumulative depreciation and accumulative amortization	
1. Beginning balance	33,467,417.76
2. Increased amount of the period	5,631,274.27
3. Decreased amount of the period	-
4. Ending balance	39,098,692.03
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	210,824,355.72
2. Beginning carrying value	216,455,629.99

13. Fixed Assets

Item	Ending balance	Beginning balance
Fixed assets	2,410,226,495.81	1,587,170,348.35
Disposal of fixed assets	-	-
Total	2,410,226,495.81	1,587,170,348.35

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	878,508,516.33	1,217,123,051.09	10,278,955.72	19,078,735.09	58,839,237.85	2,183,828,496.08
(1) Purchase	43,542,282.87	23,350,323.15	7,680,377.27	4,957,588.71	11,673,334.48	91,203,906.48
(2) Transfer of project under construction	17,060,762.76	29,253,668.91	-	2,184,602.05	8,610,729.69	57,109,763.41
(3) increase of business combination	817,905,470.70	1,164,519,059.03	2,598,578.45	11,936,544.33	38,555,173.68	2,035,514,826.19
3. Decreased amount of the period	277,466,887.58	85,505,352.10	24,595,294.23	10,349,106.07	34,606,392.44	432,523,032.42

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
(1) Disposal or Scrap	715,368.47	24,410,163.74	14,512,579.21	7,536,214.81	8,627,755.03	55,802,081.26
(2) decrease of loss of controlling right	276,751,519.11	61,095,188.36	10,082,715.02	2,812,891.26	25,978,637.41	376,720,951.16
4. Ending balance	2,160,081,403.23	1,847,565,534.04	172,793,417.25	58,660,252.15	198,441,334.30	4,437,541,940.97
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	282,165,213.57	602,360,748.24	15,329,048.32	12,593,260.99	38,233,764.95	950,682,036.07
(1) Withdrawal	51,611,558.12	83,338,994.96	13,709,033.18	5,431,201.87	16,443,707.94	170,534,496.07
(2) Increase of business merger	230,553,655.45	519,021,753.28	1,620,015.14	7,162,059.12	21,790,057.01	780,147,540.00
3. Decreased amount of the period	15,029,283.71	29,175,127.41	8,843,791.51	9,175,013.31	11,795,734.84	74,018,950.78
(1) Disposal or Scrap	-	19,302,965.44	5,600,809.43	6,543,813.95	8,113,672.20	39,561,261.02
(2) decrease of loss of controlling right	15,029,283.71	9,872,161.97	3,242,982.08	2,631,199.36	3,682,062.64	34,457,689.76
4. Ending balance	634,795,930.27	1,001,329,043.28	135,908,033.93	40,186,544.94	141,731,721.09	1,953,951,273.51

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other equipment	Total
III. Depreciation reserves						
1. Beginning balance	1,064,479.47	17,067,824.99	1,249,373.18	862,703.36	1,533,559.74	21,777,940.74
2. Increased amount of the period	183,326.44	52,635,761.20	43,490.00	-	117,720.40	52,980,298.04
(1) Withdrawal	183,326.44	204,691.31	43,490.00	-	117,720.40	549,228.15
(2) Increase of business merger	-	52,431,069.89	-	-	-	52,431,069.89
3. Decreased amount of the period	-	1,093,434.15	77,411.53	42,488.12	180,733.33	1,394,067.13
(1) Disposal or Scrap	-	1,093,434.15	77,411.53	21,775.12	176,761.39	1,369,382.19
(2) decrease of loss of controlling right	-	-	-	20,713.00	3,971.94	24,684.94
4. Ending balance	1,247,805.91	68,610,152.04	1,215,451.65	820,215.24	1,470,546.81	73,364,171.65
IV. Carrying value						
1. Ending carrying value	1,524,037,667.05	777,626,338.72	35,669,931.67	17,653,491.97	55,239,066.40	2,410,226,495.81
2. Beginning carrying value	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	18,685,829.77	7,995,125.86	7,850,744.40	2,839,959.51
Electronic equipment	3,236,737.14	2,890,671.44	—	346,065.70
Transportation equipment	125,981.91	113,383.72	—	12,598.19
Other equipment	470,432.84	393,805.77	42,128.24	34,498.83
Total	22,518,981.66	11,392,986.79	7,892,872.64	3,233,122.23

(3) Fixed Assets Leased in from Financing Lease

Item	Original carrying value	Accumulative depreciation	Impairment provision	Carrying value
Mechanical equipment	9,451,353.39	2,420,688.00		7,030,665.39
Electronic equipment	205,128.20	157,264.95		47,863.25
Total	9,656,481.59	2,577,952.95		7,078,528.64

(4) Fixed Assets Leased out from Operation Lease

Item	Ending carrying value
Houses and buildings	59,291,614.06
Total	59,291,614.06

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

Item	Original carrying value	Accumulative depreciation	Impairment provision	Net carrying value	Reason
Huaguoyuan Project in Huaguoyuan Road, Guiyang	3,628,629.00	210,914.08	—	3,417,714.92	Under processing
Pangjiang Street Property in Dadong District, Shenyang	10,189,892.23	1,084,002.58	—	9,105,889.65	The problems of developers
Yinhai Shangyu Property in Guandu District, Kunming	5,432,239.86	366,676.23	—	5,065,563.63	Under processing
Jingyuan Building property	20,018,497.00	8,644,518.56	—	11,373,978.44	Historical reasons

Yikang Building property	76,610,752.33	33,457,332.77	—	43,153,419.56	Historical reasons
Frestec Electrical Appliances property	39,524,551.28	—	—	39,524,551.28	Under processing
Workshops and buildings of Jiangxi konka	112,397,538.12	30,253,765.60	—	82,143,772.52	Under processing
Purification tank for liquid waste of XingDa HongYe	2,653,000.00	1,243,593.75	—	1,409,406.25	Under processing

14. Construction in Progress

Item	Ending balance	Beginning balance
Construction in Progress	2,176,871,530.80	135,863,821.01
Engineering material	-	-
Total	2,176,871,530.80	135,863,821.01

① List of Construction in Progress

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Comprehensive improvement engineering project of drainage basins in the city of Donggang	451,789,427.70	-	451,789,427.70	-	-	-
Water supply engineering project in Mazongshan Town, Subei Mongol Autonomous County, Gansu Province	552,055,516.50	-	552,055,516.50	-	-	-
Central City Comprehensive accelerated programs in Economic and Technological Development Zone of Binhai, Weifang	261,826,586.30	-	261,826,586.30	-	-	-
The second line of Xinfeng Microcrystalline Jade	365,069,872.84	-	365,069,872.84	-	-	-
The second line of Jiangxi Nano Crystallized Glass	303,533,244.21	-	303,533,244.21	-	-	-

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Guangming Project	153,577,240.57	-	153,577,240.57	76,514,067.90	-	76,514,067.90
Other small projects	89,019,642.68	-	89,019,642.68	59,349,753.11	-	59,349,753.11
Total	2,176,871,530.80	-	2,176,871,530.80	135,863,821.01	-	135,863,821.01

② Changes of Significant Construction in Progress

Name of item	Estimated number	Beginning balance	Increase Amount	Merger increase amount	Amount that transferred to long-term fixed assets of the period	Other decreased amount of the period	Ending balance
Comprehensive improvement engineering project of drainage basins in the city of Donggang	RMB952 million	-	451,789,427.70	-	-	-	451,789,427.70
Water supply engineering project in Mazongshan Town, Subei Mongol Autonomous County, Gansu Province	RMB810 million	-	552,055,516.50	-	-	-	552,055,516.50
Central City Comprehensive accelerated programs in Economic and Technological	RMB404 million	-	261,826,586.30	-	-	-	261,826,586.30

Name of item	Estimated number	Beginning balance	Increase Amount	Merger increase amount	Amount that transferred to long-term fixed assets of the period	Other decreased amount of the period	Ending balance
Development Zone of Binhai, Weifang							
The second line of Xinfeng Microcrystalline Jade	RMB381 million	-	92,065,729.57	273,004,143.27	-	-	365,069,872.84
The second line of Jiangxi Nano Crystallized Glass	RMB434 million	-	60,247,959.78	243,285,284.43	-	-	303,533,244.21
Project of Guangming Science and Technology Center	RMB241 million	76,514,067.90	77,063,172.67	-	-	-	153,577,240.57
Other small projects	—	59,349,753.11	75,034,778.61	33,952,139.17	76,403,862.10	2,913,166.11	89,019,642.68
Total		135,863,821.01	1,570,083,171.13	550,241,566.87	76,403,862.10	2,913,166.11	2,176,871,530.80

(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
Comprehensive improvement engineering project of drainage basins in the city of Donggang	47.57	47.57	-	-	-	Self-owned fund
Water supply engineering project in Mazongshan Town, Subei Mongol Autonomous	68.15	68.15	-	-	-	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
County, Gansu Province						
Central City Comprehensive accelerated programs in Economic and Technological Development Zone of Binhai, Weifang	64.84	64.84	-	-	-	Self-owned fund
The second line of Xinfeng Microcrystalline Jade	95.76	95.76	22,768,437.98	-	-	Self-owned fund and finance leasing
The second line of Jiangxi Nano Crystallized Glass	70.00	70.00	26,846,701.03	-	-	Self-owned fund and finance leasing
Project of Guangming Science and Technology Center	63.72	63.72	-	-	-	Self-owned fund
Other small projects	-	-	-	-	-	-
Total	-	-	49,615,139.01	-	-	-

15. Intangible Assets

(1) List of intangible assets

Item	Land use right	Intellectual property				Subtotal	Total
		Trademark right	Patent and know-how	Franchise rights	Right to use software and others		

Item	Land use right	Intellectual property				Subtotal	Total
		Trademark right	Patent and know-how	Franchise rights	Right to use software and others		
I. Original carrying value							
1. Beginning balance	196,989,129.47	3,519,159.61	40,234,111.64	-	66,665,916.59	110,419,187.84	307,408,317.31
2. Increased amount of the period	331,993,452.03	44,077,946.62	155,333,340.10	111,050,625.01	22,998,965.55	333,460,877.28	665,454,329.31
(1) Purchase	-	-	-	-	15,416,017.19	15,416,017.19	15,416,017.19
(2) Transfer of project under construction	14,220,053.65	-	-	-	3,396,945.27	3,396,945.27	17,616,998.92
(3) increase of business combination	317,773,398.38	44,077,946.62	155,333,340.10	111,050,625.01	4,186,003.09	314,647,914.82	632,421,313.20
3. Decreased amount of the period	88,441,823.98	106,944.53	75,600.00	-	9,291,693.11	9,474,237.64	97,916,061.62
(1) Disposal	-	-	-	-	7,040,396.58	7,040,396.58	7,040,396.58
(2) decrease of losing controlling right	88,441,823.98	106,944.53	75,600.00	-	2,251,296.53	2,433,841.06	90,875,665.04
4. Ending balance	440,540,757.52	47,490,161.70	195,491,851.74	111,050,625.01	80,373,189.03	434,405,827.48	874,946,585.00
II. Accumulated amortization							
1. Beginning balance	34,734,302.29	3,519,159.61	34,420,126.84	-	26,775,872.27	64,715,158.72	99,449,461.01
2. Increased amount of the period	21,976,106.08	1,952,456.42	11,874,182.60	6,663,037.50	9,271,399.44	29,761,075.96	51,737,182.04
(1) Withdrawal	7,941,501.90	1,874,509.80	11,855,942.50	2,961,350.00	7,788,411.38	24,480,213.68	32,421,715.58
(2) increase of business combination	14,034,604.18	77,946.62	18,240.10	3,701,687.50	1,482,988.06	5,280,862.28	19,315,466.46
3. Decreased amount of the period	16,048,172.82	106,944.54	-	-	762,709.64	869,654.18	16,917,827.00

Item	Land use right	Intellectual property				Subtotal	Total
		Trademark right	Patent and know-how	Franchise rights	Right to use software and others		
(1) Disposal	-	-	-	-	762,709.64	762,709.64	762,709.64
(2) decrease of losing controlling right	16,048,172.82	106,944.54	-	-	-	106,944.54	16,155,117.36
4. Ending balance	40,662,235.55	5,364,671.49	46,294,309.44	6,663,037.50	35,284,562.07	93,606,580.50	134,268,816.05
III. Depreciation reserves						-	-
1. Beginning balance	-	-	2,901,082.61	-	-	2,901,082.61	2,901,082.61
2. Increased amount of the period	-	-	-	-	-	-	-
(1) Withdrawal	-	-	-	-	-	-	-
(2) increase of business combination	-	-	-	-	-	-	-
3. Decreased amount of the period	-	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-	-
(2) decrease of losing controlling right	-	-	-	-	-	-	-
4. Ending balance	-	-	2,901,082.61	-	-	2,901,082.61	2,901,082.61
IV. Carrying value						-	-
1. Ending carrying value	399,878,521.97	42,125,490.21	146,296,459.69	104,387,587.51	45,088,626.96	337,898,164.37	737,776,686.34
2. Beginning carrying value	162,254,827.18	-	2,912,902.19	-	39,890,044.32	42,802,946.51	205,057,773.69

(2) Land Use Right with Certificate of Title Uncompleted

Item	Carrying value	Reason
Land usage right of the subsidiary Econ Technology A-18	9,209,966.67	Under processing
Land usage right of the subsidiary Nanocrystalline	5,456,515.11	Under processing

(3) Significant Intangible Assets

Item	Ending carrying value	Remaining amortization period
Franchise rights of sewage treatment in Laizhou	104,387,587.51	23.50
Various patent right of Jiangxi Konka	101,647,058.82	5.67
Land usage right of XGY (2006) No. 04049	73,587,031.11	37.75
Land usage right of Guangming land parcel No. A518-0103	39,503,358.75	25.33
Right to use the trademark of Frestec	39,866,666.67	9.58

(4) Intangible Assets with restricted ownership or using right

Item	Ending carrying value	Reasons
Land usage right of XingDa HongYe	38,040,981.20	Mortgage loan of land
Land usage right of Jiangxi Konka	5,065,400.00	Mortgage loan of land
Land usage right of Yinbin Konka	14,101,553.20	Land mortgage guarantee

16. 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	-	470,769,220.06	-	-	-	470,769,220.06
Jiangxi konka	-	340,111,933.01	-	-	-	340,111,933.01

XingDa HongYe	-	44,156,682.25	-	-	-	44,156,682.25
Total	3,597,657.15	855,037,835.32	-	-	-	858,635,492.47

(2) Provisions for Goodwill Impairment

Name of the investees or the events formed goodwill	Beginning balance	Increased		Decreased		Ending balance
		Withdrawal	Other	Dispose	Other	
Anhui Konka	-	-	-	-	-	-
Econ Technology	-	-	-	-	-	-
Jiangxi konka	-	-	-	-	-	-
XingDa HongYe	-	-	-	-	-	-
Total	-	-	-	-	-	-

(3) Impairment test of business reputation

In the impairment test of business reputation, the whole assets and business of the acquired companies are taken as an asset group for impairment test. The main cash inflow of this asset group is independent of the cash inflow of other assets or asset groups, and this asset group is consistent with the asset group confirmed on the purchase date.

The recoverable amount of Econ Technology is determined according to the present value of expected future cash flows. Future cash flows are determined based on the financial budget approved by the Management for the period from 2019 to 2023, with a discount rate of 14.06%. The cash flows of Econ Technology over 5 years are measured on the basis of a growth rate of 0%. Other key assumptions used in measuring future cash flows include estimated sales and gross profit based on the past performance of the asset group and the expectation of the Management on market development. The Management believes that no reasonable change in the above assumptions will lead to a result that the total book value of Econ Technology exceeds its recoverable amount.

The recoverable amount of Jiangxi Konka is determined according to the present value of expected future cash flows. Future cash flows are determined based on the financial budget approved by the Management for the period from 2019 to 2023, with a discount rate of ×%. The cash flows of Jiangxi Konka over 5 years are measured on the basis of a growth rate of 0%. Other key assumptions used in measuring future cash flows include estimated sales and gross profit based on the past performance of the asset group and the expectation of the Management on market development. The Management believes that no reasonable change in the above assumptions will lead to a result that the total book value of Jiangxi Konka

exceeds its recoverable amount.

The recoverable amount of XingDa HongYe is determined according to the present value of expected future cash flows. Future cash flows are determined based on the financial budget approved by the Management for the period from 2019 to 2023, with a discount rate of 11.51%. The cash flows of XingDa HongYe over 5 years are measured on the basis of a growth rate of 0%. Other key assumptions used in measuring future cash flows include estimated sales and gross profit based on the past performance of the asset group and the expectation of the Management on market development. The Management believes that no reasonable change in the above assumptions will lead to a result that the total book value of XingDa HongYe exceeds its recoverable amount.

(4) The impact of impairment test of business reputation

According to the result of impairment test of business reputation, the Company did not suffer any impairment of business reputation in this current year.

17. Long-term Unamortized Expenses

Item	Beginning balance	Increased amount	Amortization amount	Other decrease amount	Ending amount
Renovation costs	23,241,203.51	25,554,662.96	11,216,384.16	2,674,942.19	34,904,540.12
Shoppe expense	56,402,256.28	58,885,461.34	52,649,531.01	1,270,114.37	61,368,072.24
Other	70,417,477.51	20,180,981.61	11,065,898.43	64,581,746.28	14,950,814.41
Total	150,060,937.30	104,621,105.91	74,931,813.60	68,526,802.84	111,223,426.77

18. 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
Deductible losses	1,358,336,470.51	336,401,597.67	2,250,284.11	364,943.32
Assets impairment provision	936,009,764.81	226,316,093.63	796,345,288.62	197,835,345.27
Deferred income	85,456,786.55	20,389,065.68	106,943,380.58	25,500,563.17

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Accrued expenses	72,865,789.50	17,320,299.04	118,441,697.07	28,839,536.61
Unrealized internal sales profits	35,916,413.76	8,979,103.44	32,715,116.95	8,178,779.24
Changes in fair value of transactional financial liabilities	---	---	47,482,470.52	11,870,617.63
others	123,082,867.34	30,027,794.84	141,409,911.41	35,352,477.88
Total	2,611,668,092.47	639,433,954.30	1,245,588,149.26	307,942,263.12

(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
Estimated added value not under the same control	597,961,840.34	119,325,356.84	---	---
Prepaid interest	71,719,199.88	17,929,799.97	45,386,505.16	11,346,626.29
Accelerated depreciation of fixed assets	5,929,959.47	889,493.92	6,889,703.33	1,033,455.50
Change in fair value of trading financial assets	3,005,381.67	751,345.42	---	---
Prepaid taxes	---	---	1,026,206.42	256,551.61
Other	8,496,388.76	2,124,097.19	---	---
Total	687,112,770.12	141,020,093.34	53,302,414.91	12,636,633.40

(3) List of Unrecognized Deferred Income Tax Assets

Item	Ending balance	Beginning balance
Deductible losses	2,688,310,555.91	1,085,593,457.20
Deductible temporary difference	294,734,548.10	132,372,523.56
Total	2,983,045,104.01	1,217,965,980.76

19. Other Non-current Assets

Item	Ending balance	Beginning balance
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Item	Ending balance	Beginning balance
Orient kangjia no.1 (zhuhai) private equity investment fund (limited partnership)	158,810,750.31	-
Entrusted loans	120,000,000.00	20,000,000.00
Construction of government projects	41,410,334.97	-
Prepayment for house-purchase	10,099,279.84	8,167,948.00
Prepayment for equipment	6,497,317.32	1,122,880.00
Other	12,193.56	-
Total	337,477,690.39	29,290,828.00

20. Short-term Loans

Item	Ending balance	Beginning balance
Credit loan	12,471,968,199.93	6,033,663,163.14
Guaranteed loan	1,113,964,731.70	-
Mortgage loan	30,000,000.00	-
Pledged loan	-	893,808,874.21
A loan secured, pledged, or pledged (note②、③)	268,200,000.00	-
Total	13,884,132,931.63	6,927,472,037.35

Note: ① with the book value of RMB 129,749,184.23 as the collateral of the second phase plant, dongguan kangjia obtained the loan of RMB 30,000,000.00 from the dongguan branch of industrial bank co., LTD.

② With the book value of RMB 38,965,300.00 for plant and equipment, the land use right of RMB 5,065,400.00 and the equity of jiangxi xinzixin real estate co., ltd. under the name of minority shareholders as collateral, zhu xinming, zeng xiaoying and zhu qingming provide joint and several liability guarantee, and nano-microcrystal and xinfeng microcrystal provide the highest guarantee. The total amount of the loan is RMB 128,500,000.00 from the sales department of jiangxi yongxiu rural commercial bank co., LTD., agricultural bank of China yongxiu county branch and jiujiang branch of bank of communications respectively..

③ Xingda hongye to book value RMB 58241167 index of the workshop, the land use right of

\$38040981.20, RMB 19800000.00 unit certificates of deposit and the minority shareholder's name property as collateral, shenzhen city xingda circuit board co., LTD., ze-hong hu, Jiang Jiezheng, Dai Rongxing, Hu Liying, Dai Yanhua provide maximum amount guarantee, respectively from the bank of guangzhou, zhongshan, the agricultural bank of China zhongshan rural commercial bank branches and mound mound sand sand branch loan borrowing amount RMB 139700000.00.

21. Financial Liabilities at Fair Value through Profit or Loss

Item	Ending balance	Beginning balance
Loss of forward exchange contract	2,459,603.25	47,482,470.50
Total	2,459,603.25	47,482,470.50

22. Notes and Accounts Payable

Category	Ending balance	Beginning balance
Notes payable	862,330,689.47	541,175,312.09
Accounts payable	4,362,723,050.33	3,612,216,266.59
Total	5,225,053,739.80	4,153,391,578.68

(1) Notes Payable

Category	Ending balance	Beginning balance
Trade acceptance	131,907,909.16	133,211,455.00
Bank's acceptance bill	730,422,780.31	407,963,857.09
Total	862,330,689.47	541,175,312.09

(2) Accounts Payable

Item	Ending balance	Beginning balance
Within 1 year	4,041,645,573.26	3,519,530,711.60
1 to 2 years	262,217,987.99	53,966,422.15
2 to 3 years	12,677,653.94	5,991,933.36
Over 3 years	46,181,835.14	32,727,199.48
Total	4,362,723,050.33	3,612,216,266.59

(3) Significant Accounts Payable Aging over One Year

Item	Ending balance	Unpaid/ Un-carry-over reason
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Estimated project funds	217,495,088.56	Settlement conditions not met
Total	217,495,088.56	

23. Advances from Customers

(1) List of Advances from Customers

Item	Ending balance	Beginning balance
Within 1 year	654,982,234.51	571,998,516.53
1 to 2 years	32,910,085.56	36,662,083.53
2 to 3 years	13,172,633.37	14,937,831.50
Over 3 years	22,162,575.76	16,912,352.61
Total	723,227,529.20	640,510,784.17

(2) Significant Advances from Customers Aging over One Year

Item	Ending balance	Unpaid/ Un-carry-over reason
Dongguan Konka Mould Plastic Co.,Ltd	24,974,635.75	
Shenzhen Konka Video & Communication Systems Engineering Co., Ltd.	15,357,854.41	
Total	40,332,490.16	

24. Payroll Payable

(1) List of Payroll Payable

Item	Beginning balance	Increase	Increase by merger	Decrease	Decrease by losing controlling right	Ending balance
I. Short-term salary	289,046,664.85	1,629,631,704.71	19,030,255.97	1,553,586,493.74	8,837,938.67	375,284,193.12
II. Post-employment benefit-defined contribution plans	2,323,632.82	148,304,799.23	6,597.36	149,084,438.77	328,216.05	1,222,374.59
III. Termination benefits	-	9,207,455.27	-	9,207,455.27	-	-
IV. Current portion of other benefits	-	-	-	-	-	-
Total	291,370,297.67	1,787,143,959.21	19,036,853.33	1,711,878,387.78	9,166,154.72	376,506,567.71

(2) List of Short-term Salary

Item	Beginning balance	Increase	Increase by merger	Decrease	Decrease by losing controlling right	Ending balance
1. Salary, bonus, allowance, subsidy	275,524,552.33	1,430,621,311.75	18,757,618.25	1,356,836,794.50	8,408,941.91	359,657,745.92
2. Employee welfare	4,562,983.10	60,231,443.27	-	59,170,452.19	3,235.51	5,620,738.67
3. Social insurance	2,816,379.51	64,388,768.20	3,199.92	63,924,256.44	145,919.69	3,138,171.50
Of which: 1. Medical insurance premiums	815,364.61	55,260,964.35	2,529.60	55,188,962.37	121,485.35	768,410.84
Work-related injury insurance	247,215.23	3,785,199.77	352.80	3,857,848.63	14,575.35	160,343.82

Item	Beginning balance	Increase	Increase by merger	Decrease	Decrease by losing controlling right	Ending balance
Maternity insurance	1,753,799.67	5,342,604.08	317.52	4,877,445.44	9,858.99	2,209,416.84
4. Housing fund	299,531.17	41,957,039.83		41,637,147.87	73,924.63	545,498.50
5. Labor union budget and employee education budget	3,624,491.64	11,173,641.63	269,437.80	9,280,552.32	205,916.93	5,581,101.82
6. Short-term absence with payment	-	-	-	-	-	-
7. Short-term profit sharing plan	-	-	-	-	-	-
8. Other	2,218,727.10	21,259,500.03	-	22,737,290.42	-	740,936.71
Total	289,046,664.85	1,629,631,704.71	19,030,255.97	1,553,586,493.74	8,837,938.67	375,284,193.12

(3) List of Defined Contribution Plan

Item	Beginning balance	Increase	Increase by merger	Decrease	Decrease by losing controlling right	Ending balance
1. Basic pension benefits	2,096,931.52	144,568,375.95	6,350.40	145,214,564.00	309,294.17	1,147,799.70
2. Unemployment insurance	226,701.30	3,736,423.28	246.96	3,869,874.77	18,921.88	74,574.89
3. Annuity	-	-	-	-	-	-
Total	2,323,632.82	148,304,799.23	6,597.36	149,084,438.77	328,216.05	1,222,374.59

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.

25. Taxes Payable

Item	Ending balance	Beginning balance
VAT	127,267,736.84	47,749,976.31
Corporate income tax	111,659,382.84	1,124,832,572.96
Fund for disposing abandoned appliances and electronic products	9,508,557.03	4,155,984.89
Land use tax	6,842,959.97	4,749,633.12
Real estate tax	3,390,503.70	1,855,882.68
Business tax	3,162,037.00	1,851,821.21
Tariff	2,867,887.18	3,451,843.43
Personal income tax	2,444,284.96	4,802,640.61
Urban maintenance and construction tax	1,757,048.49	3,570,618.46
Stamp duty	16,496,706.00	23,666,123.67
Education fees and local education Surcharge	1,057,937.59	344,630.28
Flood control fund, fund for embankment, fund for water conservancy and fund for river management	401,823.10	401,823.10
Land VAT	-	104,967,760.07
Others	1,147,327.74	167,783.74
Total	288,004,192.44	1,326,569,094.53

26. Other Payables

Item	Ending balance	Beginning balance
Interest payable	27,230,631.41	35,723,963.94
Dividend payable	-	-
Other payables	1,997,426,646.33	1,608,359,305.87
Total	2,024,657,277.74	1,644,083,269.81

(1) Interest Payable

Item	Ending balance	Beginning balance
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Item	Ending balance	Beginning balance
Interest on borrowings	27,230,631.41	35,723,963.94
Total	27,230,631.41	35,723,963.94

(2) Other Payables

① Listed by Nature of Account

Item	Ending balance	Beginning balance
Accrued expenses	971,679,417.48	826,839,671.60
Come-and-go money	280,592,078.50	222,637,701.31
Equity transfer payment	380,180,000.00	-
deposit	196,746,104.46	472,308,401.08
Related party borrowing	108,233,202.82	-
Generation of advances	49,796,310.13	3,606,727.50
other	10,199,532.94	82,966,804.38
Total	1,997,426,646.33	1,608,359,305.87

② Significant Other Payables Aging over One Year

Item	Ending balance	Unpaid/Un-carry-over reason
Energy saving subsidies	89,960,000.00	Expected to be returned
Cash deposit	83,666,951.46	Unsettled
Total	173,626,951.46	—

27. Current Portion of Non-current Liabilities

Item	Ending balance	Beginning balance
Current portion of long-term borrowings (Note VI-28)	40,000,000.00	-
Current portion of long-term payables (Note VI-29)	111,792,404.13	374,358.99
Total	151,792,404.13	374,358.99

28. Long-term Borrowings

Item	Ending balance	Beginning balance
Credit loan	245,000,000.00	167,000,000.00
Guarantee loan (Note①)	50,000,000.00	-
Pledge loan (Note②)	150,000,000.00	-
Minus: the portion due within one year (noteVI-27)	40,000,000.00	-
Total	445,000,000.00	167,000,000.00

Note:①Sichuan kangjia took the land use right with the book value of 14,101,553.20 yuan as the mortgage, and communication technology provided joint and several liability guarantee for the loan, and obtained the entrusted loan of 50 million yuan from sichuan gangrong investment and development group co., LTD.

②YiKang rushan mountain fseko environmental control technology of subsidiary co., LTD. The formation of rushan city bureau of government procurement of pledge of accounts receivable as applies for loan to the bank of China everbright, yantai economic development zone branch limit is ten thousand yuan RMB 29000.00, loan term on December 29 2016 solstice December 28, 2026, during the pledge for 29 December 2016 solstice December 28, 2026; Meanwhile, icom technology will provide joint and several liability guarantee. As of December 31, 2018, the actual amount of the loan is RMB 15,000.00 million.

29. Long-term Payables

Item	Ending balance	Beginning balance
Accrued financing lease outlay	240,167,001.54	435,897.45
Less: current portion (Note VI-27)	111,792,404.13	374,358.99
Total	128,374,597.41	61,538.46

30. 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	8,792,614.98	13,361,821.86
II. Termination benefits	-	-
III. Other long term welfare	-	-
Total	8,792,614.98	13,361,821.86

(2) Changes in Defined Benefit Plans

①Obligation present value of defined benefit plans:

Item	Reporting period	Same period of last year
I. Beginning balance	13,361,821.86	18,151,659.90
II. Defined benefit cost recorded into current profits and losses	-	-
1. Current service cost	-	-

Item	Reporting period	Same period of last year
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	4,569,206.88	4,789,838.04
1. Consideration paid when settled	-	-
2. Welfare paid	4,569,206.88	4,789,838.04
V. Ending balance	8,792,614.98	13,361,821.86

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 RMB34,931,714.55, the Company in line with Agreement of Internal Early Retirement Pension, in line with the standard of salary remaining the same, turnover rate of 0, the mortality rate of, fix standard of social security base payment remaining the same to test the present worth of defined benefit plans. The actual payment for the employee is influence by the actual turnover rate, death rate and the changes of minimum cardinality of social security.

③ Notes to Actuarial Assumptions and Sensibility Analysis Result of Defined Benefit Pension Schemes

Significant assumptions estimated	Period-end of Reporting Period	Period-end of last year
Discount rate	Treasury bond rate in same period	—
Death rate	0%	—

Expected average life expectancy	Over legal emeritus age	—
Expected compensation growth rate	0%	—

31. Provisions

Item	Beginning balance	Ending balance	Reason for formation
Pending litigations	4,711,597.59	21,566,306.86	Litigation (Note)
Other	1,470,267.51	206,591.51	Contract consideration
Total	6,181,865.10	21,772,898.37	—

Note: In 2016, Jiangxi Longji Construction Engineering Co., Ltd. filed a lawsuit with Nanchang Intermediate People's Court against Jiangxi Xinfeng Microcrystalline Jade Co., Ltd. over the dispute arisen from a construction contract. According to the first-instance decision made by Nanchang Intermediate People's Court, Jiangxi Xinfeng Microcrystalline Jade Co., Ltd. should compensate Jiangxi Longji for the loss of RMB 19,741,456.02 and the interest therefrom (Interest was calculated according to the similar lending rate for the same period issued by the People's Bank of China based on the principle of RMB 19,741,456.02 from November 24, 2016 to the date when the principal amount was paid off). Jiangxi Xinfeng Microcrystalline Jade Co., Ltd. appealed to the Higher People's Court of Jiangxi Province. As of December 31, 2018, the expected losses related to the lawsuit suffered by the Company are RMB 21,566,306.86.

32. Deferred Income

Item	Beginning balance	Increase	Decrease	Other decrease	Ending balance	Reason for formation
Government subsidies	130,049,911.87	13,283,000.00	29,357,262.38	1,076,521.25	112,899,128.24	Related to assets/income
Total	130,049,911.87	13,283,000.00	29,357,262.38	1,076,521.25	112,899,128.24	—

Of which, items related to government subsidies:

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Other changes	Ending balance	Related to assets/related income
Smart TV industrial chain of Konka Group Co., Ltd	19,848,500.00	-	-	4,494,000.00	-	15,354,500.00	Related to assets
R & D of double HDR OLED smart television and industrialization	13,300,000.00	-	-	-	-	13,300,000.00	Related to assets
Decoration subsidy for Konka Zhifu Life Science Innovation Center	-	10,000,000.00	-	1,499,999.94	-	8,500,000.06	Related to assets
Research, production and industrialization smart terminal system of next-generation internet	7,761,844.66	-	-	1,981,747.56	-	5,780,097.10	Related to assets
Research, development and industrialization of new smart TV of man-machine interaction	5,256,893.21	-	-	3,679,825.38	-	1,577,067.83	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
Konka Smart Home Project of Constructing Cloud Smart Control Platform	3,620,000.00	-	-	-	-	3,620,000.00	Related to assets
Laboratory project of next-generation Konka multimedia terminal technology	4,500,000.02	-	-	999,999.96	-	3,500,000.06	Related to assets

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Other changes	Ending balance	Related to assets/related income
Project of display terminal smart plant with new pattern based on NB-IOT	3,822,000.00	-	-	819,000.00	-	3,003,000.00	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
Post rewards and subsidies for technical transformation of industrial enterprises in 2016	3,281,040.00	-	-	546,840.00	-	2,734,200.00	Related to assets
Research, development and industrialization of digital products of synergetic interconnection	2,600,000.00	-	-	-	-	2,600,000.00	Related to assets
AVS/DRA terminal and matched core chip R & D	5,620,000.00	-	-	3,184,666.78	-	2,435,333.22	Related to assets
Industrialization of mobile internet and 4 th generation mobile communication industry	2,754,867.45	-	-	535,790.04	-	2,219,077.41	Related to assets
Comprehensive integration and innovation project of lean manufacturing implementation system	2,100,000.00	-	-	-	-	2,100,000.00	Related to assets
R & D and industrialization of new application service system of mobile smart terminal	2,809,233.44	-	-	795,649.92	-	2,013,583.52	Related to assets
Design and achievement	1,960,000.00	-	-	-	-	1,960,000.00	Related to assets

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Other changes	Ending balance	Related to assets/related income
transformation of surface OLED V9X series TV							
Provincial major special projects in 2017	2,360,000.00	-	-	480,000.00	-	1,880,000.00	Related to assets
Special funds of provincial strategic emerging industry of Dongguan Finance Bureau	2,400,000.00	-	-	600,000.00	-	1,800,000.00	Related to assets
Project subsidy for vein R&D center	-	1,750,000.00	-	-	-	1,750,000.00	Related to income
Whole machine integration of module	1,875,000.00	-	-	300,000.00	-	1,575,000.00	Related to assets
Glasses-free 3D Smart LCD TV with Multi-view and High Definition	1,500,000.00	-	-	-	-	1,500,000.00	Related to assets
Embedded OS development and terminal system development for TV application	1,951,430.02	-	-	459,159.96	-	1,492,270.06	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
R & D of UST Laser Projection Smart TV	1,500,000.00	-	-	125,000.00	-	1,375,000.00	Related to assets
R & D and industrialization of	1,320,000.00	-	-	-	-	1,320,000.00	Related to assets

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Other changes	Ending balance	Related to assets/related income
operation system for exploiting users based on big data							
R & D of key technologies of information safety system for mobile smart terminal	2,400,000.00	-	-	1,084,812.96	-	1,315,187.04	Related to assets
R & D and engineering of 3D TV Terminal	1,300,000.00	-	-	-	-	1,300,000.00	Related to assets
Research, development and industrialization project of new two-channel 3D smart TV	1,590,166.71			405,999.96		1,184,166.75	Related to assets
Special fund of 2010-2012 industrial technology	1,680,000.00	-	-	420,000.00	-	1,260,000.00	Related to assets
Provincial fiscal subsidies for R & D of Guangdong enterprises in 2016	1,375,319.98	-	-	229,220.04	-	1,146,099.94	Related to assets
Central infrastructure investment budget for preliminary work of PPP project	-	1,000,000.00	-	-	-	1,000,000.00	Related to assets
Satellite Receiving Facility based on safe and reliable chips	1,000,000.00	-	-	-	-	1,000,000.00	Related to assets
Special fund for industrial structural adjustment	1,199,999.88	-	-	200,000.04	-	999,999.84	Related to assets
Post rewards and subsidies received for technical	1,100,220.00	-	-	183,369.96	-	916,850.04	Related to assets

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Other changes	Ending balance	Related to assets/related income
transformation of industrial enterprises in 2016							
Research, development and industrialization of Major technology of LED backlight FDTV	1,750,000.13	-	-	999,999.96	-	750,000.17	Related to assets
Smart TV and system supporting platform of three networks combination	1,066,666.76	-	-	399,999.96	-	666,666.80	Related to assets
Subsidy for R&D instrument from Department of Science and Technology of Anhui Province	-	225,000.00	-	3,750.00	-	221,250.00	Related to assets
Provincial special fund for work related to intellectual property	-	200,000.00	-	-	-	200,000.00	Related to income
Transformation subsidy for environmental protection project	-	60,000.00	-	1,000.00	-	59,000.00	Related to assets
Subsidy for R&D instrument	-	48,000.00	-	800.00	-	47,200.00	Related to assets
Development subsidies for tourist resort in 2014	1,094,583.35	-	-	18,499.98	1,076,083.37	-	Related to assets
Other government subsidies related to income	1,429,395.04	-	-	486,318.96	437.88	942,638.20	Related to income
Other government subsidies related to assets	10,602,751.22	-	-	4,421,811.02	-	6,180,940.20	Related to assets
Total	130,049,911.87	13,283,000.00	-	29,357,262.38	1,076,521.25	112,899,128.24	

33. 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

34. Capital Reserves

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium	7,393,378.55	-	-	7,393,378.55
Other capital reserves	97,338,863.75	120,473,886.76	16,849,504.85	200,963,245.66
Total	104,732,242.30	120,473,886.76	16,849,504.85	208,356,624.21

Note: Due to the loss of control, the disposal of part of the equity of E2info resulted in an increase of RMB120,473,886.76 in other capital reserves; due to the disposal of part of the equity of Kaikai Shijie, plastic products and Chongqing Qingjia, the capital reserve was reduced by RMB10,707,832.18; due to changes in other owners' equity other than net profit or loss of Guangdong Chutian Dragon Smart Card Co., Ltd. and Shenzhen RF-LINK Technology Co., Ltd., other capital reserves have reduced by RMB 6,141,672.67.

35. 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	3,697,458.95	-12,596,094.90	-	-10,447.36	-14,235,678.03	1,650,030.49	-10,538,219.08
Of which: Share of other comprehensive income of investees that will be reclassified into profit or loss under equity method	-3,138,048.04	740,697.08	-	-	740,697.08	-	-2,397,350.96
Gain/Loss on changes in fair value of available-for-sale financial assets	31,342.08	-41,789.44	-	-10,447.36	-31,342.08	-	-
Differences arising from translation of foreign currency-denominated financial statements	6,804,164.91	-13,295,002.54	-	-	-14,945,033.03	1,650,030.49	-8,140,868.12
Total of other comprehensive income	3,697,458.95	-12,596,094.90	-	-10,447.36	-14,235,678.03	1,650,030.49	-10,538,219.08

36. Surplus Reserves

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	963,582,609.22	9,919,910.40	-	973,502,519.62
Discretionary surplus reserves	254,062,265.57	-	-	254,062,265.57
Total	1,217,644,874.79	9,919,910.40	-	1,227,564,785.19

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.

37. Retained Earnings

Item	2018	2017
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	411,289,744.68	5,057,025,155.71
Less: Withdrawal of statutory surplus reserves	9,919,910.40	369,736,408.51
Withdrawal of discretionary surplus reserves	-	-
Dividend of ordinary shares payable	390,087,134.64	-
Ending retained earnings	4,271,408,192.21	4,260,125,492.57

38. 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	44,539,559,406.49	41,961,861,198.85	29,801,098,730.20	26,643,986,715.11
Other operations	1,587,237,934.84	1,265,752,715.60	1,426,664,519.51	1,144,998,564.69
Total	46,126,797,341.33	43,227,613,914.45	31,227,763,249.71	27,788,985,279.80

(2) Main Operations (Classified by product)

Product name	Reporting Period	Same period of last year
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	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Color TV business	9,892,486,636.93	8,689,731,404.20	11,994,950,476.66	10,062,760,446.56
Mobile phone business	331,298,592.29	327,425,343.91	918,711,012.38	827,228,372.16
Consumer appliances business	2,127,731,143.29	1,767,282,597.98	1,737,464,511.08	1,404,308,959.94
Environmental protection business	3,020,514,260.13	2,634,491,782.63	-	-
Supply chain trade business	28,348,817,442.89	28,068,819,224.05	13,652,512,654.75	13,501,073,391.55
Other	818,711,330.96	474,110,846.08	1,497,460,075.33	848,615,544.90
Total	44,539,559,406.49	41,961,861,198.85	29,801,098,730.20	26,643,986,715.11

(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	15,280,905,528.09	13,378,114,102.53	14,605,075,686.89	12,525,699,043.61
Overseas sales	29,258,653,878.40	28,583,747,096.32	15,196,023,043.31	14,118,287,671.50
Total	44,539,559,406.49	41,961,861,198.85	29,801,098,730.20	26,643,986,715.11

(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	1,061,823,529.60	1,125,521,149.81	655,914,026.56	685,360,932.34
Maintenance cost	14,768,368.18	3,339,815.57	8,173,452.85	5,530,168.79
Sale of waste	15,009,489.99	666,256.53	11,089,872.64	2,561,519.32
Housing lease	107,020,774.99	19,678,154.79	74,440,747.48	6,447,669.25
Others	388,615,772.08	116,547,338.90	677,046,419.98	445,098,274.99
Total	1,587,237,934.84	1,265,752,715.60	1,426,664,519.51	1,144,998,564.69

(5) Operating Revenue from Top 5 Customers

Period	Total operating revenue from top 5 customers	Proportion to operating revenue of Reporting Period (%)
2018	13,375,164,153.90	29.00
2017	7,077,286,124.31	22.66

39. Taxes and Surtaxes

Item	Reporting Period	Same Period of last year
Urban maintenance and construction tax	24,828,107.02	22,176,591.33

Item	Reporting Period	Same Period of last year
Stamp duty	15,162,609.72	15,520,219.86
Property tax	14,178,084.66	15,088,906.82
Land use tax	12,019,009.56	9,959,196.22
Education surcharge	11,001,522.37	10,051,601.65
Local education surcharge	7,345,690.22	6,807,461.39
Water resources fund	1,309,631.97	548,589.88
Vehicle and vessels usage tax	16,094.66	341,052.18
Business tax	-	2,295,449.95
Others	3,829,115.75	126,047,664.33
Total	89,689,865.93	208,836,733.61

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

40. Selling Expense

Item	Reporting Period	Same Period of last year
Salary	730,468,898.17	791,375,434.96
Promotional activities	342,640,120.91	373,118,418.23
Logistic Fee	337,227,473.98	321,989,098.63
Warranty fee	202,084,416.68	166,475,580.70
Advertising expense	349,308,929.28	219,633,787.72
Taxes and fund	53,380,828.00	67,614,333.51
Business travel charges	35,211,979.96	33,971,957.80
Exhibition expenses	25,377,016.80	14,958,812.83
Rental charges	23,247,889.18	23,122,212.30
Business entertainment expenses	21,055,262.45	22,760,942.79
Other	162,171,426.23	106,972,978.64
Total	2,282,174,241.64	2,141,993,558.11

41. Administrative Expense

Item	Reporting Period	Same Period of last year
Salary	278,758,343.19	196,593,346.39
Depreciation charge	71,547,932.45	39,733,413.81
Consulting fees	42,016,562.62	25,807,304.97

Item	Reporting Period	Same Period of last year
Social security charges	23,520,903.01	18,845,381.77
Business entertainment expense	22,609,874.52	13,634,367.93
Patent fee	22,483,701.61	20,607,523.97
Business travel charges	22,475,469.34	12,847,093.80
Employee welfare	15,390,406.89	10,398,246.45
Water & electricity fees	11,658,004.88	-
Labor-union expenditure	10,237,943.20	8,758,356.31
Housing allowance	5,597,428.25	4,827,139.40
Other	115,596,426.22	95,984,523.16
Total	641,892,996.18	448,036,697.96

42. R&D Expense

Item	Reporting Period	Same Period of last year
Salary	176,668,069.66	146,606,511.30
Expenses on trial production of new products	112,453,347.32	117,019,889.74
Material drawing out	47,815,656.03	14,274,438.17
Depreciation and amortization	11,820,275.57	11,535,501.37
Testing fees	11,555,165.21	7,589,058.90
Information charges	10,466,824.02	6,522,293.88
Water & electricity fees	5,399,670.34	4,888,311.12
Business travel charges	3,309,558.94	2,464,463.80
Hand model fees	2,420,847.59	1,192,401.74
Other	14,550,730.56	17,584,112.48
Total	396,460,145.24	329,676,982.50

43. Finance Costs

Item	Reporting Period	Same Period of last year
Interest expense	566,070,556.21	352,438,125.53
Less: Interest income	43,630,012.41	62,735,102.89
Foreign exchange profit or loss	-174,702,042.10	33,585,873.68
Other	51,427,312.69	17,629,654.29
Total	399,165,814.39	340,918,550.61

44. Asset Impairment Loss

Item	Reporting Period	Same Period of last year
Bad debt loss	86,898,151.31	-12,753,051.08
Inventory falling price loss	139,421,841.21	164,992,959.69
Impairment losses of available-for-sale financial assets	-	5,750,000.00
Fixed assets impairment losses	549,228.15	1,713,814.69
Total	226,869,220.67	159,703,723.30

45. Other Income

Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
Rewards and subsidies	173,850,805.31	53,426,592.80	173,850,805.31
Software tax rebates	64,656,609.96	56,782,742.21	-
Transfer of deferred income	29,357,262.38	29,182,496.49	29,357,262.38
Support fund	18,108,788.00	49,848,202.23	18,108,788.00
L/C export subsidy	3,821,338.00	2,817,636.00	3,821,338.00
Land tax rebates	2,248,900.00	8,829,600.00	2,248,900.00
Post subsidies	1,796,103.67	2,038,431.45	1,796,103.67
Other	425,824.91	2,053,742.37	425,824.91
Total	294,265,632.23	204,979,443.55	229,609,022.27

46. Investment Income

Item	Reporting Period	Same Period of last year
Long-term equity investment income measured by equity method	19,139,381.20	3,953,094.99
Investment income from disposal of long-term equity investment	185,587,193.61	6,419,583,589.12
Investment income from holding of financial assets at fair value through profit or loss	-	248,207.55
Investment income from disposal of financial assets at fair value through profit or loss	-45,928,989.49	-23,444,831.75
Investment income from holding of available-for-sale financial assets	17,920,000.00	4,310,000.00
Investment income from disposal of available-for-sale financial assets	17,360,398.59	25,486,800.02

Item	Reporting Period	Same Period of last year
Income from re-measurement of residual stock rights at fair value after losing control power	551,089,548.47	53,847,856.66
Income from purchase of financial products and entrust loans	183,411,695.80	70,070,846.08
Transfer of equity investment by equity method into financial assets	-	33,792,795.21
Countercurrent trading produces unrealized profit adjusted investment income	-1,164,857.22	-
Total	927,414,370.96	6,587,848,357.88

47. Gain on Changes in Fair Value

Sources	Reporting Period	Same period of last year
Financial assets at fair value through profit or loss	5,168,185.39	-39,598,044.59
Of which: gain on changes in fair value of derivative financial instruments	5,168,185.39	-39,598,044.59
Trading financial assets	-	20,521,800.00
Financial liabilities measured at fair value and recorded in current profits and losses	45,022,867.25	-47,145,207.37
Of which:: fair value variation income generated by derivative financial instruments	45,022,867.25	-47,145,207.37
Total	50,191,052.64	-66,221,451.96

48. Asset Disposal Income

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
Fixed assets disposal income	-563,894.74	22,576,235.00	-563,894.74
Intangible assets disposal income	-	33,369,166.39	-
Total	-563,894.74	55,945,401.39	-563,894.74

49. Non-operating Income

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
Gains on the damage and scrapping of	209,465.30	90,088.16	209,465.30

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
non-current assets			
Government subsidies unrelated to the normal operation of the Company	30,000,000.00	30,176,000.00	30,000,000.00
Gains on debt restructuring	46,445,749.23	3,714,592.49	46,445,749.23
Compensation income	55,281.81	449,085.66	55,281.81
Penalty income	14,987,008.86	4,378,369.42	14,987,008.86
Compensation from suppliers	421,248.97	-	421,248.97
Negative goodwill generated from shares whose combination cost less than the fair value of recognizable net assets obtained	220,045,229.63	-	220,045,229.63
Other	16,532,156.29	44,024,528.03	16,532,156.29
Total	328,696,140.09	82,832,663.76	328,696,140.09

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

Item	Reporting Period			Same period of last year			Related to the assets/ income
	Recorded into non-operating income	Recorded into other income	Offset costs	Recorded into non-operating income	Recorded into other income	Offset costs	
Rewards and subsidies	30,000,000.00	-	-	30,000,000.00	-	-	Related to income
Other	-	-	-	176,000.00	-	-	Related to income
Total	30,000,000.00	-	-	30,176,000.00	-	-	

50. Non-operating Expense

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	3,503,737.74	5,408,316.93	3,503,737.74
Compensation expense	118,766.24	5,757,816.49	118,766.24
Donations	177,601.00	437,976.34	177,601.00

Item	Reporting Period	Same Period of last year	Amount recorded into the current non-recurring profit or loss
Penalty	2,727,629.00	-	2,727,629.00
Liquidated damages	1,049,718.66	-	1,049,718.66
Losses on damage and scrapping of inventories	11,658,004.88	-	11,658,004.88
Other	460,399.26	4,916,922.92	460,399.26
Total	19,695,856.78	16,521,032.68	19,695,856.78

51. Income Tax Expense

(1) Lists of Income Tax Expense

Item	Reporting Period	Same period of last year
Current income tax expense	145,391,357.02	1,181,682,531.53
Deferred income tax expense	-359,113,186.48	389,958,474.25
Total	-213,721,829.46	1,571,641,005.78

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

Item	Reporting Period
Profit before taxation	454,896,592.11
Current income tax expense accounted at statutory/applicable tax rate	113,724,148.03
Influence of applying different tax rates by subsidiaries	-54,083,374.50
Influence of income tax before adjustment	-2,392,637.36
Influence of non-taxable income	-56,565,083.87
Influence of not deductible costs, expenses and losses	7,573,086.74
Influence of deductible loss of unrecognized deferred income tax assets in prior period	-26,901,514.84
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax in the Reporting Period	-17,477,843.08
Changes in the balance of deferred income tax assets/ liabilities in previous period due to adjustment of tax rate	68,188.24
Other	-177,666,798.82
Income tax expense	-213,721,829.46

52. Other Comprehensive Income

Refer to Note VI-35 for details.

53. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Item	Reporting Period	Same Period of last year
Commercial factoring accounts received	3,046,250,433.88	6,151,752,072.71
Intercourse funds	48,357,936.24	2,535,878,629.20
Income from government subsidy	240,968,351.06	205,972,947.06
Front money and guarantee deposit	150,767,666.31	59,127,499.85
Interest income from bank deposits	21,754,813.26	68,495,305.71
Income from waste	6,630,095.00	1,067,599.66
Repayment of individual borrowings	20,958,954.89	9,724,120.10
Insurance indemnity	27,704,625.75	30,158,139.90
Temporary received repair fund	1,499,503.30	7,053,099.89
Income from penalty and default money	9,721,141.07	4,378,369.42
Other income	140,056,972.37	116,132,534.48
Total	3,714,670,493.13	9,189,740,317.98

(2) Cash Used in Other Operating Activities

Item	Reporting Period	Same Period of last year
The commercial factoring payment (Note)	2,925,211,901.01	8,852,860,166.99
Expense for cash payment	1,150,343,818.19	1,167,232,783.76
Payment made on behalf	51,369,090.01	27,188,407.90
Payment for guarantee deposit, cash deposit and repair	344,427,373.48	123,627,145.04
Petty cash for employees	27,655,007.55	19,067,788.75
Expense for bank handling charges	31,199,551.45	18,648,034.00
Donation expense	102,578.10	437,976.34
Default money	44,675.99	119,593.48
Other expense		
Total	78,728,884.80	42,422,836.03

(3) Cash Generated from Other Investing Activities

Item	Reporting Period	Same Period of last year
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Item	Reporting Period	Same Period of last year
Recovery of financial products	2,145,785,000.00	1,620,800,000.00
Transfer of stock	-	220,507,387.99
Recovery of entrusted loans	17,600,000.00	-
Other	229,643,228.96	6,173,387.62
Total	2,393,028,228.96	1,847,480,775.61

(4) Cash Used in Other Investing Activities

Item	Reporting Period	Same Period of last year
Purchase of financial products	1,028,080,000.00	2,872,800,000.00
Payment for entrusted loans	1,819,000,000.00	-
Other	2,439,200.00	13,188,913.10
Total	2,849,519,200.00	2,885,988,913.10

(5) Cash Generated from Other Financing Activities

Item	Reporting Period	Same Period of last year
Government subsidies related to assets	-	41,176,150.00
Disposal of minority interest of subsidiaries	128,933,333.34	2,400,000.00
Receiving entrusted loans	298,225,230.01	-
Other	32,726,515.41	-
Solution pay of pledged certificate of RMB time deposit at maturity	-	435,028,346.40
Total	459,885,078.76	478,604,496.40

(6) Cash Used in Other Financing Activities

Item	Reporting Period	Same Period of last year
Deposit as margin for pledge	116,939,471.09	22,664,753.77
Repayment of entrusted loans	226,425,248.50	-
Finance lease	412,777,454.04	-
Financing expense	1,392,251.29	598,314.20
Total	757,534,424.92	23,263,067.97

54. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	668,618,421.57	5,086,834,099.98
Add: Provision for impairment of assets	226,869,220.67	159,703,723.30
Depreciation of fixed assets, oil-gas assets, and productive living assets	170,534,496.07	116,653,496.12
Amortization of intangible assets	32,421,715.58	12,612,406.59
Amortization of long-term prepaid expenses	74,931,813.60	58,694,071.62
Losses on disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	563,894.74	-55,945,401.39
Losses on scrap of fixed assets (gains: negative)	3,294,272.44	5,318,228.77
Losses on changes in fair value (gains: negative)	-50,191,052.64	66,221,451.96
Finance costs (gains: negative)	544,195,357.06	352,438,125.53
Investment loss (gains: negative)	-927,414,370.96	-6,587,848,357.88
Decrease in deferred income tax assets (gains: negative)	-323,517,091.85	393,791,889.56
Increase in deferred income tax liabilities ("-" means decrease)	37,991,934.70	-4,396,482.52
Decrease in inventories (gains: negative)	-668,140,011.75	-3,657,857,260.85
Decrease in accounts receivable generated from operating activities (gains: negative)	261,056,969.48	-3,952,004,354.33
Increase in accounts payable used in operating activities (decrease: negative)	-3,251,682,178.99	3,720,709,237.56
Other	-29,357,262.38	-29,182,496.49
Net cash generated from/used in operating activities	-3,229,823,872.66	-4,314,257,622.47
2. Significant investing and financing activities without involvement of cash receipts and payments		
Transfer of debt to capital	-	-
Current portion of convertible corporate bonds	-	-
Fixed assets leased in by financing	-	-
3. Net increase/decrease of cash and cash equivalent:		

Supplemental information	Reporting Period	Same period of last year
Ending balance of cash	3,434,149,481.72	3,097,899,703.76
Less: beginning balance of cash	3,097,899,703.76	2,020,902,945.14
Add: Ending balance of cash equivalents	-	-
Less: Beginning balance of cash equivalents	-	-
Net increase in cash and cash equivalents	336,249,777.96	1,076,996,758.62

(2) Net Cash Paid For Acquisition of Subsidiaries

Item	Amount
Cash or cash equivalents paid currently for current business combinations in the Reporting Period	1,531,450,000.00
Of which: Shandong Econ Technology Co., Ltd.	400,000,000.00
Jiangxi Konka New Material Technology Co., Ltd.	598,000,000.00
Henan Frestec Refrigeration Appliance Co., Ltd.	455,000,000.00
GuangDong XingDa HongYe Electronic Co., Ltd.	78,450,000.00
Less: cash and cash equivalents held by subsidiaries on the purchase date	414,139,604.63
Of which: Shandong Econ Technology Co., Ltd.	178,434,322.05
Jiangxi Konka New Material Technology Co., Ltd.	208,815,770.16
Henan Frestec Refrigeration Appliance Co., Ltd.	-
GuangDong XingDa HongYe Electronic Co., Ltd.	25,339,512.42
Net cash paid for acquisition of subsidiaries	1,118,860,395.37

(3) Net Cash Receive from Disposal of the Subsidiaries

Item	Amount
Cash or cash equivalents received in the Reporting Period from disposal of subsidiaries in the Current Period	330,680,336.00
Of which: Kaikai Shijie	50,000,000.00
Kunshan Kangsheng	280,680,336.00

Item	Amount
Chongqing Qingjia	-
Zewei Kechuang	-
Less: cash and cash equivalents held by subsidiaries on the date of losing control power	78,211,847.40
Of which: Kaikai Shijie	7,488,940.78
Kunshan Kangsheng	69,624,314.96
Chongqing Qingjia	1,065,835.71
Zewei Kechuang	32,755.95
Net cash received from disposal of subsidiaries	252,468,488.60

(4) Cash and Cash Equivalents

Item	Ending balance	Beginning balance
I. Cash	3,434,149,481.72	3,097,899,703.76
Including: Cash on hand	130,105.31	49,343.08
Bank deposit on demand	3,434,019,376.41	3,097,850,360.68
II. Ending balance of cash and cash equivalents	3,434,149,481.72	3,097,899,703.76

55. Assets with Restricted Ownership or Right to Use

Item	Ending carrying value (RMB)	Reason for restriction
Monetary capital	91,399.46	Among which: RMB451.6092 million was all kinds of deposit that cannot be withdrawn at any time; RMB235 million was fixed time deposits; RMB201.0352 million was supervised account capital for reimbursement; RMB19.8 million was deposits pledged as loans; RMB4.3466 million was frozen capital for lawsuits; RMB2.2036 million was restricted for other reasons.
Notes receivable	132,145.49	As of 31 December 2018, the Company pledged notes receivables with carrying value of RMB1,321,454,900 for conducting comprehensive financing businesses such as opening of banker's acceptance bill, L/C, L/G and trade financing.
Fixed assets	22,695.57	For mortgage borrowings. Refer to 20. Short-term Borrowings in Note VI

Intangible assets	5,720.79	For mortgage borrowings. Refer to 20. Short-term Borrowings in Note VI For mortgage borrowings. Refer to 28. Long-term Borrowings in Note VI
Long-term receivables	34,941.65	Mortgage borrowings. Refer to 28. Long-term Borrowings in Note VI
Total	286,902.96	

56. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital			
Of which: USD	135,723,407.43	6.8632	931,496,889.87
EUR	1,817.87	7.8473	14,265.37
HKD	12,449,667.60	0.8762	10,908,398.75
Accounts receivable			
Of which: USD	130,507,627.96	6.8632	895,699,952.22
HKD	3,531,401.47	0.8762	3,094,213.97
AUD	49,764.00	4.825	240,111.30
Other receivables			
Of which: USD	13,848,369.43	6.8632	95,044,129.07
Interest receivable			
Of which: USD	54,781.10	6.8632	375,973.65
Accounts payable			
Of which: USD	21,644,634.75	6.8632	148,551,457.22
HKD	529,791,419.53	0.8762	464,203,241.79
Other payables			
Of which: HKD	23,657,224.69	0.8762	20,728,460.27

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Short-term borrowings			
Of which: USD	208,330,389.67	6.8632	1,429,813,130.38
Interest payable			
Of which: USD	1,302,303.49	6.8632	8,937,969.31

(2) Notes to Overseas Entities

The significant overseas entities include Hong Kong Konka, Konka Electrical Appliances International Trading, Chain Kingdom Shenzhen, Kangjietong and Jiali International. The main overseas operating place is Hong Kong. The Company's recording currency is HKD since the main currency in circulation in Hong Kong is HKD.

57. Arbitrage

Refer to relevant contents in items notes of in 2. Financial Assets at Fair Value through Profit or Loss in Note VI.

58. Government Subsidy

(1) Basic Information on Government Subsidy

Category	Amount	Listed items	Amount recorded in the current profit or loss
Subsidy for Chuzhou Tongsheng Investment Development Co., Ltd.	30,000,000.00	Non-operating income	30,000,000.00
Rewards and subsidies	173,850,805.31	Other income	173,850,805.31
Tax rebates of software	64,656,609.96	Other income	64,656,609.96
Support fund	18,108,788.00	Other income	18,108,788.00
Subsidy for L/C export	3,821,338.00	Other income	3,821,338.00
Land tax rebates	2,248,900.00	Other income	2,248,900.00
Post subsidies	1,796,103.67	Other income	1,796,103.67
Other	425,824.91	Other income	425,824.91
Subsidy for decoration of Konka Zhifu Life Science Innovation Center	10,000,000.00	Deferred income/Other income	1,499,999.94
Subsidy for project of vein R&D Center	1,750,000.00	Deferred income	-
Subsidy for centre infrastructure investment budget in preliminary work of PPP project	1,000,000.00	Deferred income	-
R&D instrument subsidy from Science and Technology Bureau of Anhui Province	225,000.00	Deferred income/Other	3,750.00

Category	Amount	Listed items	Amount recorded in the current profit or loss
		income	
Provincial special fund for intellectual property	200,000.00	Deferred income	-
Subsidy for transformation of environmental protection project	60,000.00	Deferred income/Other income	1,000.00
R&D instrument subsidy	48,000.00	Deferred income/Other income	800.00
Total	308,191,369.85		296,413,919.79

(2) Return of Government Subsidy

No such cases in the Reporting Period.

VII. Changes of Consolidation Scope

1. Business Combination Not under the Same Control

(1) Business Combination Not under the Same Control during the Reporting Period

Name of acquiree	Time and place of gaining the equity	Cost of gaining the equity (RMB'0,000)	Proportion of equity (%)	Way to gain the equity	Purchase date	Recognition basis of purchase date	Income of acquiree from the purchase date to period-end	Net profits of acquiree from the purchase date to period-end
Econ Technology	4 May 2018	68,850.00	51.00	Purchase in cash	4 May 2018	Actual control	109,722.71	14,336.84
Jiangxi Konka	16 August 2018	68,968.00	51.00	Purchase in cash	16 August 2018	Actual control	12,393.18	3,766.31
XingDa HongYe	29 June 2018	9,945.00	51.00	Purchase in cash	29 June 2018	Actual control	18,272.14	-1,989.34
Henan Frestec Refrigeration Appliance Co., Ltd., Henan	3 August 2018	45,500.00	100.00	Purchase in cash	3 August 2018	Actual control	12,517.13	-1,245.05

(2) Combination Cost and Goodwill

Item	Econ Technology	Jiangxi Konka	XingDa HongYe	Henan Frestec Refrigeration Appliance Co., Ltd., Henan Frestec Electrical Appliances Co., Ltd. and Henan Frestec Household Appliances Co., Ltd.
Combination cost				
—cash	40,000.00	59,800.00	7,845.00	45,500.00
—intercourse	28,850.00	9,168.00	2,100.00	-
Total combination cost	68,850.00	68,968.00	9,945.00	45,500.00
Less: shares of fair value of recognizable net assets obtained	22,373.91	34,917.24	5,529.33	67,504.52
Amount of shares of fair value of recognizable net assets deducting goodwill/combination cost	46,476.09	34,050.76	4,415.67	-22,004.52

1. The fair value of the identifiable part of the identifiable assets or liabilities has been determined by the valuation results determined by Shenzhen Pengxin Assets Appraisal Land Real Estate Appraisal Co., Ltd.

2. The main reason for the formation of large-value goodwill

The reason for the formation of the above-mentioned large-value goodwill is the acquisition of Econ Technology, Jiangxi Konka and Xingda Hongye not under the same control. It is a market-oriented transaction. The pricing is based on the valuation of the evaluation experts and the results of negotiations between the two parties.

(3) The Identifiable Assets and Liabilities of Acquiree on Purchase Date

Item	Econ Technology		Jiangxi Konka		XingDa HongYe		Henan Frestec Refrigeration Appliance Co., Ltd., Henan Frestec Electrical Appliances Co., Ltd. and Henan Frestec Household Appliances Co., Ltd.	
	Fair value on purchase date	Carrying value on purchase date	Fair value on purchase date	Carrying value on purchase date	Fair value on purchase date	Carrying value on purchase date	Fair value on purchase date	Carrying value on purchase date
Assets:								
Monetary capital	17,843.43	17,843.43	23,537.18	23,537.18	6,462.69	6,462.69	-	-
Inventories	690.08	690.08	10,694.34	10,694.34	4,628.41	4,628.41	-	-
Accounts receivable	28,624.03	28,624.03	-	-	15,380.36	15,380.36	-	-
Fixed assets	1,697.30	1,697.30	62,529.03	55,923.94	22,187.76	16,195.68	33,879.53	33,791.33
Intangible assets	14,472.32	11,672.32	15,831.87	4,014.75	9,127.53	3,911.13	21,878.87	5,409.74
Other assets	68,372.99	68,973.82	80,340.05	80,340.05	12,060.72	12,060.72	22,501.14	22,501.14
Liabilities:								
Borrowings	18,750.00	18,750.00	21,187.00	21,187.00	21,070.00	21,070.00	-	-
Accounts payable	26,604.55	26,604.55	15,832.33	15,832.33	31,218.63	31,218.63	-	-
Deferred income tax liabilities	420.00	-	2,763.33	-	1,681.27	-	9,764.33	-
Deferred income	-	-	-	-	-	-	-	22,500.00
Other liabilities	32,370.38	32,370.38	84,607.05	84,607.05	4,535.51	4,535.50	990.69	990.69

Item	Econ Technology		Jiangxi Konka		XingDa HongYe		Henan Frestec Refrigeration Appliance Co., Ltd., Henan Frestec Electrical Appliances Co., Ltd. and Henan Frestec Household Appliances Co., Ltd.	
	Fair value on purchase date	Carrying value on purchase date	Fair value on purchase date	Carrying value on purchase date	Fair value on purchase date	Carrying value on purchase date	Fair value on purchase date	Carrying value on purchase date
Net assets	53,555.22	51,776.05	68,542.76	52,883.88	11,342.06	1,814.86	67,504.52	38,211.52
Less: non-controlling interests	31,487.74		33,585.95		5,812.73		-	
Net assets obtained	22,067.48		34,956.81		5,529.33		67,504.52	

2. Disposal of Subsidiary

A single disposal of the investment to the subsidiary and lost control

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	5,000.00	5	Transfer	28 June 2018	Transfer of equity, operation and financial controlling power	4,712.62
Kunshan Kangsheng	28,068.03	51	Transfer	25 June 2018	Transfer of equity, operation and financial controlling power	9,827.25

(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	46.00	2,643.91	46,000.00	43,356.09	Market trading price	—

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
Kunshan Kangsheng	51.00	17,525.46	26,967.33	9,441.87	Market trading price	—

3. Changes in Combination Scope for Other Reasons

(1) Subsidiaries Established by the Company in 2018

Name	Registered capital	Shareholding percentage (%)	Time and place of obtaining control power	Method of obtaining
Chengdu Konka	5,000,000.00	51.00	5 February 2018	Establishment
Chengdu Anren	5,000,000.00	51.00	16 August 2018	Establishment
Konka Enterprise Service	5,000,000.00	51.00	5 September 2018	Establishment
Chuanghui Intelligent	1,000,000.00	40.80	26 July 2018	Establishment
Konka Enterprise management	5,000,000.00	51.00	8 November 2018	Establishment
Yibin konka Incubator	20,000,000.00	51.00	18 October 2018	Establishment
Cross-border Kechuang	1,000,000.00	26.01	21 November 2018	Establishment
Jiali International	HKD5000000	51.00	2 February 2018	Establishment
Sichuan Konka	100,000,000.00	51.00	15 January 2018	Establishment
Electrical Appliance Technology	100,000,000.00	51.00	12 June 2018	Establishment
Jiaxin Technology	HKD10000000	51.00	25 January 2018	Establishment

Name	Registered capital	Shareholding percentage (%)	Time and place of obtaining control power	Method of obtaining
Yifang Technology	10,000,000.00	60.00	3 December 2018	Establishment
Kangjietong	HKD1000000	51.00	9 January 2018	Establishment
Yibin Konka	100,000,000.00	100.00	15 January 2018	Establishment
Industry New Town	100,000,000.00	51.00	7 March 2018	Establishment
Konka Suiyong	50,000,000.00	51.00	11 May 2018	Establishment
Hainan Technology	100,000,000.00	51.00	9 August 2018	Establishment
Kangquan Enterprise	10,000,000.00	51.00	26 June 2018	Establishment
Electronics Technology	1,000,000,000.00	100.00	16 January 2018	Establishment
Nanjing Konka	50,000,000.00	100.00	28 December 2018	Establishment
Anhui Zhilian	50,000,000.00	100.00	20 September 2018	Establishment
Konka Huanjia	180,000,000.00	51.00	6 June 2018	Establishment
Shanghai Konka	100,000,000.00	100.00	11 April 2018	Establishment
Chuzhou Kangyong	50,000,000.00	100.00	18 July 2018	Establishment
Yantai Konka	100,000,000.00	0.90	5 September 2018	Establishment
Yantai kangjin	100,000,000.00	62.80	7 September 2018	Establishment
Shangdong Kangxin	100,000,000.00	51.00	7 December 2018	Establishment
Shenzhen kangxinwei	100,000,000.00	100.00	19 October 2018	Establishment
Shenzhen Meixin	10,000,000.00	51.00	31 October 2018	Establishment
Hefei kangxinwei	50,000,000.00	51.00	7 November 2018	Establishment
Shenzhen Nianhua	30,000,000.00	100.00	22 August 2018	Establishment
Konka Eco-development	5,000,000.00	51.00	27 December 2018	Establishment

Name	Registered capital	Shareholding percentage (%)	Time and place of obtaining control power	Method of obtaining
Konka Ronghe	50,000,000.00	51.00	26 December 2018	Establishment
Suining Konka Industry Park	200,000,000.00	100.00	26 December 2018	Establishment
Sichuan Kangjiatong	30,000,000.00	51.00	26 March 2018	Establishment
Konka Suyuan	10,000,000.00	51.00	5 February 2018	Establishment

(2) Changes in Combination Scope for Other Reasons

The Company's subsidiary, Shushida Logistics (formerly known as Shenzhen Shushida Logistics Service Co., Ltd.) and Plastic Products were liquidated during the year and the remaining assets were distributed.

On 25 October 2018, Runtian Group Co., Ltd. entrusted 20% of the equity voting rights of Chongqing Qingjia held by it to Chongqing Electromechanical Holding (Group) Co., Ltd., for management. Runtian Group Co., Ltd. and Chongqing Electromechanical Holding (Group) Co., Ltd. jointly hold a 60% stake in Chongqing Qingjia, the Company no longer has control power.

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	
Konka E-display	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	60.00		Establishment or investment
E-display Service	Shenzhen,	Shenzhen,	Manufacturing industry		60.00	Establishment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
	Guangdong	Guangdong				or investment
Kangqiao Easy Chain	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce		60.00	Establishment or investment
Konka Ventures	Shenzhen, Guangdong	Shenzhen, Guangdong	Other organization and management service	51.00		Establishment or investment
Yantai Konka	Yantai, Shandong	Yantai, Shandong	Other professional consultancy and investigation		51.00	Establishment or investment
Chengdu Konka	Chengdu, Sichuan	Chengdu, Sichuan	Commercial service		51.00	Establishment or investment
Chengdu Anren	Chengdu, Sichuan	Chengdu, Sichuan	Commercial service		51.00	Establishment or investment
Konka Enterprise Service	Guiyang, Guizhou	Guiyang, Guizhou	Headquarters management		51.00	Establishment or investment
Chuanghui Intelligent	Nanjing, Jiangsu	Nanjing, Jiangsu	Entrepreneurial space service		40.80	Establishment or investment
Konka Enterprise management	Guiyang, Guizhou	Guiyang, Guizhou	Other Commercial service not listed clearly		51.00	Establishment or investment
Yibin konka Incubator	Yibin, Sichuan	Yibin, Sichuan	Commercial service		51.00	Establishment or investment
Cross-border Kechuang	Shenzhen, Guangdong	Shenzhen, Guangdong	Other IT service industry not listed clearly		26.01	Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Anhui Konka	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	78.00		Establishment or investment
Kangzhi Trade	Chuzhou, Anhui	Chuzhou, Anhui	Wholesale industry		78.00	Establishment or investment
Konka Factoring	Shenzhen, Guangdong	Shenzhen, Guangdong	Insurance agents (non-bank finance)	100.00		Establishment or investment
Youshi Kangrong	Tianjin	Tianjin	Advertisement		70.00	Establishment or investment
Chuzhou Konka TID	Chuzhou, Anhui	Chuzhou, Anhui	Science and technology industry	100.00		Establishment or investment
Konka Unifortune	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail industry	51.00		Establishment or investment
Jiali International	Hong Kong, China	Hong Kong, China	Retail industry		51.00	Establishment or investment
Wankaida	Shenzhen, Guangdong	Shenzhen, Guangdong	Software development	100.00		Establishment or investment
Dongguan Konka	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	75.00	25.00	Establishment or investment
Telecommunication Technology	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	75.00	25.00	Establishment or investment
Electrical Appliances	Shenzhen,	Shenzhen,	Manufacturing industry	75.00	25.00	Establishment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
	Guangdong	Guangdong				or investment
Mudanjiang Appliances	Mudanjiang, Heilongjiang	Mudanjiang, Heilongjiang	Manufacturing industry	60.00		Establishment or investment
Konka Europe	Frankfurt, Germany	Frankfurt, Germany	International Trading	100.00		Establishment or investment
Commercial System Technology	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	81.00		Establishment or investment
Konka Electrical Appliances	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry, commerce	100.00		Establishment or investment
Konka Materials	Haikou, Hainan	Haikou, Hainan	Commercial service		51.00	Establishment or investment
Mobile Interconnection	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce	51.00		Establishment or investment
Sichuan Konka	Yibin, Sichuan	Yibin, Sichuan	Manufacturing industry		51.00	Establishment or investment
Anhui Tongchuang	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry	100.00		Establishment or investment
Electrical Appliance Technology	Chuzhou, Anhui	Chuzhou, Anhui	Manufacturing industry		51.00	Establishment or investment
Frestec Refrigeration	Xinxiang, Henan	Xinxiang, Henan	Manufacturing industry		51.00	Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Frestec Electrical Appliances	Xinxiang, Henan	Xinxiang, Henan	Manufacturing industry		51.00	Establishment or investment
Frestec Household Appliances	Xinxiang, Henan	Xinxiang, Henan	Manufacturing industry		51.00	Establishment or investment
Pengrun Technology	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail industry	51.00		Establishment or investment
Jiaxin Technology	Hong Kong, China	Hong Kong, China	Retail industry		51.00	Establishment or investment
E3info	Haikou, Hainan	Haikou, Hainan	Network platform development	60.00		Establishment or investment
Yifang Technology	Shenzhen, Guangdong	Shenzhen, Guangdong	Network platform development		60.00	Establishment or investment
Dongguan Packing	Dongguan, Guangdong	Dongguan, Guangdong	Manufacturing industry	75.00	25.00	Establishment or investment
E2info	Shenzhen, Guangdong	Shenzhen, Guangdong	Information service	96.61		Establishment or investment
Beijing Konka Electronic	Beijing	Beijing	Sale of home appliance	100.00		Establishment or investment
Konka Leasing	Tianjin Pilot Free Trade Zone	Tianjin Pilot Free Trade Zone	Leasing industry		100.00	Establishment or investment
Fittings Technology	Shenzhen,	Shenzhen,	Investment holding	75.00	25.00	Establishment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
	Guangdong	Guangdong				or investment
Boluo Konka Precision	Boluo, Guangdong	Boluo, Guangdong	Manufacturing industry		100.00	Establishment or investment
Xiamen Dalong	Xiamen, Fujian	Xiamen, Fujian	Commerce		69.23	Establishment or investment
Boluo Konka	Boluo, Guangdong	Boluo, Guangdong	Manufacturing industry		100.00	Establishment or investment
Chongqing Qingjia	Chongqing	Chongqing	Manufacturing industry		40.00	Establishment or investment
Hong Kong Konka	Hong Kong, China	Hong Kong, China	International Trading	100.00		Establishment or investment
Konka Household Appliances Investment	Hong Kong, China	Hong Kong, China	Investment holding		100.00	Establishment or investment
Chain Kingdom	Hong Kong, China	Hong Kong, China	International Trading		51.00	Establishment or investment
Chain Kingdom Shenzhen	Shenzhen, Guangdong	Shenzhen, Guangdong	Wholesale industry		51.00	Establishment or investment
Konka SmartTech	Hong Kong, China	Hong Kong, China	International Trading		61.00	Establishment or investment
Kangjietong	Hong Kong, China	Hong Kong, China	Service industry		51.00	Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Konka Household Appliances International Trading	Hong Kong, China	Hong Kong, China	International Trading		100.00	Establishment or investment
Konka Investment	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service	100.00		Establishment or investment
Yibin Konka	Yibin, Sichuan	Yibin, Sichuan	Development and management of industrial park		100.00	Establishment or investment
Industry New Town	Chengdu, Sichuan	Chengdu, Sichuan	Real estate industry		51.00	Establishment or investment
Konka Capital	Shenzhen, Guangdong	Shenzhen, Guangdong	Capital markets service		100.00	Establishment or investment
Konka Suiyong	Shenzhen, Guangdong	Shenzhen, Guangdong	Investment in industry, commercial information consultancy and investment advisor		51.00	Establishment or investment
Hainan Technology	Haikou, Hainan	Haikou, Hainan	Municipal road, engineering and buildings		51.00	Establishment or investment
Kangquan Enterprise	Shenzhen, Guangdong	Shenzhen, Guangdong	Commercial service		51.00	Establishment or investment
Sichuan Kangjiatong	Yibin,	Yibin,	Service industry	51.00		Establishment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
	Sichuan	Sichuan				or investment
Electronics Technology	Shenzhen, Guangdong	Shenzhen, Guangdong	Manufacturing industry	100.00		Establishment or investment
XingDa HongYe	Zhongshan, Guangdong	Zhongshan, Guangdong	Manufacturing industry		51.00	Establishment or investment
Shanghai Xinfeng	Shanghai	Shanghai	Commerce		51.00	Establishment or investment
Zewei Kechuang	Zhongshan, Guangdong	Zhongshan, Guangdong	Manufacturing industry		25.50	Establishment or investment
Nanjing Konka	Nanjing, Jiangsu	Nanjing, Jiangsu	Wholesale industry		100.00	Establishment or investment
Anhui Zhilian	Chuzhou, Anhui	Chuzhou, Anhui	e-commerce		100.00	Establishment or investment
Econ Technology	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry	51.00		Establishment or investment
Beijing Econ	Beijing	Beijing	Environmental technology service industry		51.00	Establishment or investment
Rushan Econ	Weihai, Shandong	Weihai, Shandong	Environmental technology service industry		51.00	Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Shanghai Jiyi	Shanghai	Shanghai	Environmental technology service industry		51.00	Establishment or investment
Binzhou Econ	Binzhou, Shandong	Binzhou, Shandong	Environmental technology service industry		51.00	Establishment or investment
Lairun Holdings	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		30.60	Establishment or investment
Laizhou Environmental Protection	Lairun Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		30.60	Establishment or investment
Binhai Sewage Treatment	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		30.60	Establishment or investment
Lairun Heating	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		30.60	Establishment or investment
Lairun Green Energy	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		30.60	Establishment or investment
Econ Environmental Engineering	Chengdu, Sichuan	Chengdu, Sichuan	Environmental technology service industry		51.00	Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
			industry			
Qingdao Kangrun Honghui Photovoltaic Power Generation Co., Ltd.	Qingdao, Shandong	Qingdao, Shandong	Environmental technology service industry		51.00	Establishment or investment
Yantai Kangrun Honghui Photovoltaic Power Generation Co., Ltd.	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		51.00	Establishment or investment
Rushan Yike	Weihai, Shandong	Weihai, Shandong	Environmental technology service industry		44.37	Establishment or investment
Binzhou Weiyijie	Binzhou, Shandong	Binzhou, Shandong	Environmental technology service industry		35.70	Establishment or investment
Beihai Jingmai	Binzhou, Shandong	Binzhou, Shandong	Environmental technology service industry		24.99	Establishment or investment
Yantai Chunzhiran	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		35.70	Establishment or investment
Lairun Huayang	Yantai, Shandong	Yantai, Shandong	Environmental technology service industry		26.01	Establishment or investment
Huanhai Xinze	Yantai,	Yantai,	Environmental		51.00	Establishment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
	Shandong	Shandong	technology service industry			or investment
Donggang Kangrun Environment Management Co., Ltd.	Dandong, Liaoning	Dandong, Liaoning	Environmental technology service industry		50.63	Establishment or investment
Dayi Kangrun Water Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Environmental technology service industry		51.00	Establishment or investment
Subei Mongol Autonomous County Kangrun Water Co., Ltd.	Jiuquan, Gansu	Jiuquan, Gansu	Environmental technology service industry		39.78	Establishment or investment
Suining Pengxi Kangrun Environment Management Co., Ltd.	Suining, Sichuan	Suining, Sichuan	Environmental technology service industry		40.75	Establishment or investment
Weifang Sihai Kangrun Investment Operation Co., Ltd.	Weifang, Shandong	Weifang, Shandong	Environmental technology service industry		27.96	Establishment or investment
Konka Huanjia	Dalian, Liaoning	Dalian, Liaoning	Processing of renewable resources	51.00		Establishment or investment
Shanghai Konka	Shanghai	Shanghai	Real estate industry	100.00		Establishment or investment
Chuzhou Kangyong	Chuzhou, Anhui	Chuzhou, Anhui	Real estate industry		100.00	Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Yantai Konka	Yantai, Shandong	Yantai, Shandong	Real estate industry		89.71	Establishment or investment
Yantai kangjin	Yantai, Shandong	Yantai, Shandong	Real estate industry		62.80	Establishment or investment
Shangdong Kangxin	Yantai, Shandong	Yantai, Shandong	Real estate industry		51.00	Establishment or investment
Jiangxi Konka	Jiujiang, Jiangxi	Jiujiang, Jiangxi	Production, manufacturing and processing	51.00		Establishment or investment
Xinfeng Microcrystalline	Nanchang, Jiangxi	Nanchang, Jiangxi	Production, manufacturing and processing		51.00	Establishment or investment
Nanocrystalline	Jiujiang, Jiangxi	Jiujiang, Jiangxi	Production, manufacturing and processing		51.00	Establishment or investment
Shenzhen kangxinwei	Shenzhen, Guangdong	Shenzhen, Guangdong	Semi-conductor	100.00		Establishment or investment
Shenzhen Meixin	Shenzhen, Guangdong	Shenzhen, Guangdong	Commerce		51.00	Establishment or investment
Hefei kangxinwei	Hefei, Anhui	Hefei, Anhui	Design of integrated circuit		51.00	Establishment or investment
Shenzhen Nianhua	Shenzhen, Guangdong	Shenzhen, Guangdong	Commercial service	100.00		Establishment or investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Konka Eco-development	Shenzhen, Guangdong	Shenzhen, Guangdong	Commercial service	51.00		Establishment or investment
Konka Ronghe	Foshan, Guangdong	Foshan, Guangdong	Wholesale and retail industry	51.00		Establishment or investment
Suining Konka Industry Park	Suining, Sichuan	Suining, Sichuan	Development and management of industrial park	100.00		Establishment or investment
Konka Suyuan	Shenzhen, Guangdong	Shenzhen, Guangdong	Commercial service		51.00	Establishment or investment

(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
Chain Kingdom Shenzhen	49.00	21,583,722.75	-	37,273,148.54
Econ Technology	49.00	69,656,420.50	-	387,887,875.23

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Name	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Chain	1,815,121,230.64	293,862.12	1,815,415,092.76	1,739,347,442.71	-	1,739,347,442.71

Name	Ending balance					
	Kingdom Shenzhen					
Econ Technology	917,994,237.75	1,929,339,202.58	2,847,333,440.33	2,005,644,529.55	156,350,000.00	2,161,994,529.55

(Continued)

Name	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Chain Kingdom Shenzhen	1,162,693,203.78	129,592.90	1,162,822,796.68	1,134,435,779.93	—	1,134,435,779.93
Econ Technology	-	-	-	-	-	-

Name	Reporting Period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chain Kingdom Shenzhen	8,838,797,265.88	44,048,413.75	44,048,413.75	134,780,094.30
Econ Technology	1,097,227,129.62	143,368,372.61	143,368,372.61	26,365,193.10

(Continued)

Name	Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chain Kingdom Shenzhen	5,535,614,456.54	18,722,147.92	17,353,646.69	25,288,584.51

Name	Same period of last year		
Econ Technology	-	-	-

2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

(1) Note to the Owner's Equity Share Changed in Subsidiary

On 18 December 2018, the Company signed an equity transfer agreement with Alibaba (China) Network Technology Co., Ltd., and the Company will transfer 3.3898% equity of E2info to at the price of RMB123.33 million to Alibaba (China) Network. Technology Co., Ltd. After completing the above transfer, the Company's shareholding ratio of E3info is 96.6102%, and it still be controlled by the Company and is still included in the scope of consolidation.

(2) The Transaction's Influence on the Equity of Non-controlling Interests and the Owner's Equity Attributable to the Company as the Parent

Item	E2info
Disposal consideration	-
—cash	123,333,333.34
—fair value of non-cash assets	-
Total disposal consideration	123,333,333.34
Less: Share of net assets accounted by percentage of stock rights disposed	2,859,446.58
Difference	120,473,886.76
Of which: adjustment of capital reserves	120,473,886.76
Adjustment of surplus reserve	-
Adjustment of retained earnings	-

3. Equity in Joint Ventures or Associated Enterprises

(1) Significant Joint Ventures or 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	
Chutian Dragon Co., Ltd.	Dongguan	Dongguan	Manufacturing industry in computer, communication and other electronic equipment	21.95		Equity method
Kaikai Shijie	Shenzhen	Anhui	E-commerce	42.61		Equity method
Wuhan Tianyuan Environmental Protection Co., Ltd.	Wuhan	Wuhan	Environmental protection and environment management	20.02		Equity method
Shenzhen Yaode Technology Co., Ltd.	Shenzhen	Shenzhen	Manufacturing industry in computer, communication and other electronic equipment	20.00		Equity method
Kunshan Konka Electronics Technology Co., Ltd.	Kunshan	Kunshan	Manufacturing industry in computer, communication and other electronic equipment	49.00		Equity method

(2) Main Financial Information of Significant Associated Enterprise

Item	Ending balance/Reporting Period				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.

Item	Ending balance/Reporting Period				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
Current assets	1,222,095,636.91	686,309,035.24	230,469,218.29	698,493,882.82	132,379,197.79
Non-current assets	278,261,091.56	3,549,521.27	365,139,896.53	95,652,906.71	322,419,882.21
Total assets	1,500,356,728.47	689,858,556.51	595,609,114.82	794,146,789.53	454,799,080.00
Current liabilities	515,045,146.59	606,863,177.36	83,949,518.05	229,286,124.16	55,865,275.98
Non-current liability	16,794,877.63	-	52,271,637.67	1,656,838.09	6,565,214.27
Total liabilities	531,840,024.22	606,863,177.36	136,221,155.72	230,942,962.25	62,430,490.25
Equity of non-controlling interests	5,361,673.58	-	1,300,578.22	-	-
Equity attributable to shareholders of the Company as the parent	963,155,030.67	82,995,379.15	458,087,380.88	563,203,827.28	392,368,589.75
Share of net assets accounted by shareholding percentage	211,383,634.58	35,364,497.05	91,708,111.68	112,640,765.46	192,260,608.98
Adjusted events					

Item	Ending balance/Reporting Period				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
-Goodwill	413,461,970.35	-	160,562,143.79	109,570,069.72	-
-Unrealized internal sales gain and loss	-	-	-	-	-
-Other	-	401,320,567.52	-	-	8,433,857.82
Carrying value of equity investment to associated enterprises	624,845,604.93	436,685,064.57	252,270,255.47	222,210,835.18	200,694,466.80
Fair value of equity investment to joint ventures with public offer	-	-	-	-	-
Operating revenue	1,024,123,239.82	1,077,935,788.28	302,542,158.18	788,986,575.09	1,383,992,676.29
Finance costs	129,755.99	8,481,874.17	1,702,872.19	-6,879,619.57	-9,619,653.24
Income tax expense	13,562,988.17	9,477,685.35	11,312,091.14	12,318,087.85	-
Net profit	59,788,036.94	28,069,833.35	64,051,137.74	59,658,513.13	-10,229,522.57

Item	Ending balance/Reporting Period				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
Net profit from discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	59,788,036.94	28,069,833.35	64,051,137.74	59,658,513.13	-10,229,522.57
Dividends received from joint venture in Reporting Period	-	-	-	-	-

(Continued)

Item	Beginning balance/The same period of last year				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
Current assets	1,275,973,644.95	-	-	529,254,428.27	450,377,789.88
Non-current assets	265,717,459.13	-	-	81,833,013.73	339,299,159.57
Total assets	1,541,691,104.08	-	-	611,087,442.00	789,676,949.45
Current liabilities	610,280,220.79	-	-	102,411,669.34	393,186,594.32

Item	Beginning balance/The same period of last year				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
Non-current liability	14,700,720.45	-	-	5,130,458.50	652,129.50
Total liabilities	624,980,941.24	-	-	107,542,127.84	387,078,837.13
Equity of non-controlling interests	9,178,745.28	-	-	-	-
Equity attributable to shareholders of the Company as the parent	907,531,417.56	-	-	503,545,314.16	402,598,112.32
Share of net assets accounted by shareholding percentage	203,752,601.15	-	-	100,709,062.83	197,273,075.04
Adjusted events					
-Goodwill	413,461,970.35	-	-	109,570,069.72	8,433,857.82
-Unrealized internal sales gain and loss	-	-	-	-	-
-Other	-	-	-	-	-

Item	Beginning balance/The same period of last year				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
Carrying value of equity investment to associated enterprises	617,214,571.50	-	-	210,279,132.55	205,706,932.86
Fair value of equity investment to joint ventures with public offer	-	-	-	-	-
Operating revenue	927,468,144.67	-	-	782,641,588.11	1,843,565,739.98
Finance costs	8,182,245.66	-	-	23,563,857.52	5,261,591.15
Income tax expense	12,858,203.25	-	-	6,679,871.51	-
Net profit	91,253,269.69	-	-	39,929,305.04	-1,656,818.45
Net profit from discontinued operations	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	91,253,269.69	-	-	39,929,305.04	-1,656,818.45

Item	Beginning balance/The same period of last year				
	Chutian Dragon Co., Ltd.	Kaikai Shijie	Wuhan Tianyuan Environmental Protection Co., Ltd.	Shenzhen Yaode Technology Co., Ltd.	Kunshan Konka Electronics Technology Co., Ltd.
Dividends received from joint venture in Reporting Period	-	-	-	-	-

(4) Summary Financial Information of Insignificant Joint Ventures or Associated Enterprises

Item	Ending balance/Reporting Period	Beginning balance/The same period of last year
Associated enterprise:		
Total carrying value of investment	1,060,533,163.28	286,786,706.83
The total of following items according to the shareholding proportions		
--Net profit	-25,764,761.70	-267,212.72
--Other comprehensive income	740,697.08	-3,138,048.04
--Total comprehensive income	-25,024,064.62	-3,405,260.76

X. The Risk Related to Financial Instruments

The Company's main financial instruments include equity investment, credit investment, borrowings, accounts receivable, accounts payable, 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 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. Except the procurement and sales by US dollars for several subsidiaries of the Company, the other main businesses of the Company were settled by RMB. As of 31 December 2018, except for the assets or liabilities mentioned in the table below, the assets and liabilities of the Company are mainly the balance of RMB. The foreign exchange risks produced by the assets and liabilities balance may affect the business performance of the Company.

Item	Period-end	Period-begin
Cash and cash equivalents	135,723,407.43	215,226,442.86
Accounts receivable	130,507,627.96	225,058,783.20
Other receivables	13,848,369.43	32,570,569.60

Item	Period-end	Period-begin
Interest receivable	54,781.10	-
Accounts payable	21,644,634.75	183,857,953.53
Short-term borrowings	208,330,389.67	331,453,218.73
Interest payable	1,302,303.49	44,195.93

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.

Foreign exchange risk sensitivity analysis:

The foreign exchange risk sensitivity analysis assumes that all overseas business net investment hedging and cash flow hedging are highly effective. On the basis of the above assumptions, the pre-tax effects of reasonable changes in exchange rates on current profits and losses and shareholders' equity are as follows, with other variables unchanged:

Item	Change in interest rate	Influence on shareholders' equity
Net assets in USD	Up 1.00% to RMB	2,514,857.91
Net assets in USD	Down 1.00% to RMB	-2,514,857.91

(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 31 December 2018, the long-term and short-term borrowings had a total balance of RMB14,815,132,931.63.

Interest rate risk sensitivity analysis:

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;
- For fixed-rate financial instruments measured at fair value, changes in market interest rates only affect their interest income or expenses;
- For derivative financial instruments designated as hedging instruments, changes in market interest rates affect their fair value, and all interest rate hedges are expected to be highly effective;
- Calculate the fair value changes of derivative financial instruments and other financial assets and liabilities using the discounted cash flow method at the market interest rate on the balance sheet date.

On the basis of the above assumptions, the pre-tax effects of reasonable changes in interest rates on current profits and losses and shareholders' equity are as follows, with other variables unchanged:

Item	Change in interest rate	Reporting Period		Same period of last year	
		Influence on profits	Influence on shareholders' equity	Influence on profits	Influence on shareholders' equity
Interest of short-term and long-term borrowings	Up 1%	-148,151,329.32	-111,113,496.99	-70,944,720.37	-53,208,540.28
Interest of short-term and	Down 1%	148,151,329.32	111,113,496.99	70,944,720.37	53,208,540.28

long-term borrowings					
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2. Credit Risk

On 30 December 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 to 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.

An analysis of a financial asset that has suffered a single impairment, including factors that determine the impairment of the financial asset.

The Company has adopted the necessary policies to ensure that all sales customers have a good credit history. Except for the items listed in the table below, the company has no other major credit concentration risks.

Item	Ending balance e	Beginning balance
Accounts receivable		
CEFC(Shanghai)Group Co.,Ltd.	300,027,889.84	-
Jiangsu Hongtu Sanbao High-Tech Technology Co.,Ltd.	200,000,000.00	-
Elion Resources Group Limited.	120,000,000.00	-

Jizhong Energy International Logistics Group Co., Ltd.	130,000,000.00	-
China Nuclear Engineering Construction Group Co., Ltd.	90,000,000.00	-
Tahoe Group Co, Ltd.	50,000,000.00	-
China Energy Power Fuel Co., Ltd.	50,000,000.00	-
DSC HOLDINGS LIMITED	24,421,550.36	23,250,858.84
Other receivables		
Subsidy for energy saving	152,402,680.00	152,402,680.00
Shenzhen Konka Video&Communication Systems Engineering Co.,Ltd.	18,115,952.51	18,115,952.51
Chongqing Kangjia Auto Electronic Co.,Ltd.	13,396,856.82	13,396,856.82

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 December 2018 was RMB8,240,271,900.

The maturity of the financial liabilities held by the Company according to the undiscounted remaining contractual obligations is as follows:

Item	Within 1 year	Over 1 year
Non-derivative financial assets and liabilities:		
Accounts receivable	4,792,910,963.36	509,863,364.49
Other receivables	295,170,628.74	337,177,968.61

Item	Within 1 year	Over 1 year
Short-term borrowings	14,370,132,931.63	-
Accounts payable	4,039,580,367.14	321,077,477.07
Interest payable	27,230,631.41	-

(II) Offset between Financial Assets and Financial Liabilities

At the end of the year, the status of confirmed financial assets under an enforceable total offset agreement or similar agreement is 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)
Bank deposits and other current assets	Fix time deposit or financial products of USD822,9751 million and RMB RMB820 million.	Commercial financing of USD89.0451 and RMB5460.8959 million	USD75,000 and RMB3,863,500
Fix time deposit	Fix time deposit of RMB124,6.0687 million	Bank acceptance bill or L/C of RMB1200.87 million	RMB5,7.3080 million

At the end of the year, the status of confirmed financial liabilities under an enforceable total offset agreement or similar agreement is as follows:

Item	Period-end		
	Total confirmed financial liabilities (RMB'0,000)	Amount offset of confirmed financial liabilities (RMB'0,000)	Net financial liabilities listed in the balance sheet (RMB'0,000)
Short-term borrowings	Commercial financing of USD89,045,100 and RMB5,460,895,900	Fix time deposit or financial products of USD822,975,100 and RMB820 million	USD75,000 RMB3,863,500
Notes payable or L/C payable	Bank acceptance bill or L/C of RMB1200.87 million	Fix time deposit of RMB124,6.0687 million	RMB5,7.3080 million

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	
I. Consistent fair value measurement				
(I) Financial assets at fair value through profit or loss	5,464,984.92	-	-	5,464,984.92
1. Trading financial assets	-	-	-	-
2. Income from purchase agreement of forward foreign exchange	5,464,984.92	-	-	5,464,984.92
(II) Available-for-sale financial assets	-	-	-	-
1. Debt instrument investment	-	-	-	-
2. Equity instrument investment	-	-	-	-
3. Other	-	-	-	-
Total assets of consistent fair value measurement	5,464,984.92			5,464,984.92
(III) Financial liabilities at fair value through profit or loss	2,459,603.25	-	-	2,459,603.25
1. Income from purchase agreement of forward foreign exchange	2,459,603.25	-	-	2,459,603.25
Total liabilities of consistent fair value	2,459,603.25			2,459,603.25

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
measurement				
Total assets of inconsistent fair value measurement	-	-	-	-
Total liabilities of inconsistent fair value measurement	-	-	-	-

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. Related Party and Related-party Transactions

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	29.999997%	29.999997%

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-3. 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
Beijing Konka Technology Co., Ltd.	Associated enterprise
Kunshan Konka Electronic Co., Ltd.	Associated enterprise
Anhui Kaikai Shijie E-commerce Co., Ltd.	Associated enterprise
Shenzhen Yaode Technology Co., Ltd.	Associated enterprise
Nanjing Smart Light Information Technology Research Institute Co., Ltd.	Associated enterprise
Shenzhen Zhongbing Konka Technology Co., Ltd.	Associated enterprise
Shenzhen RF-LINK Technology Co., Ltd.	Associated enterprise
Chengdu One Belt Communication Equipment Co., Ltd.	Associated enterprise
Oriental Huijia (Zhuhai) Asset Management Co., Ltd.	Associated enterprise
Zhuhai Jinsu Plastic Co., Ltd.	Associated enterprise
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Associated enterprise
Shenzhen Konka Information Network Co., Ltd.	Associated enterprise
Shenzhen Konka Precision Mould Manufactory Co., Ltd.	Associated enterprise
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd.	Associated enterprise
Nanjing Smart Light Information Technology Research Institute Co., Ltd.	Associated enterprise

Name	Relationship with the Company
Helongjiang Longkang Zhijia Technology Co., Ltd.	Associated enterprise
Anhui Konka Green Lighting Technology Co., Ltd.	Associated enterprise
Feidi Technology (Shenzhen) Co., Ltd.	Associated enterprise
Chongqing Qingjia	Associated enterprise
Konka Ventures	Associated enterprise
Anhui Konka Green Lighting Technology Co., Ltd.	Associated enterprise

4. Information on Other Related Parties

Name	Relationship with the Company
Guoguang Eastern Network (Beijing) Co., Ltd.	Shareholder of the associated enterprise
Guangan Ouqishi Electronic Technology Co., Ltd.	Majority-owned company controlled by minority shareholder
Guizhou Jiaguida Technology Co., Ltd.	Majority-owned company controlled by minority shareholder
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Associated enterprise of subsidiary
UNIFORTUNE (HK) COMPANY LIMITED	Minority shareholder of subsidiary
AUJET INDUSTRY LIMITED	Minority shareholder of subsidiary
Shenzhen Trade Link Supply Chain Management Co., Ltd.	Minority shareholder of subsidiary
Chuzhou Hanshang Electric Appliance Co., Ltd.	Minority shareholder of subsidiary
Shenzhen Henglongtong Technology Co., Ltd.	Minority shareholder of subsidiary
Jiangxi Meiji Industry Co., Ltd.	Minority shareholder of subsidiary
Shenzhen Shangyongtong Investment Development Co., Ltd.	Minority shareholder of subsidiary
Changrong Media Co., Ltd.	Final controller of minority shareholder of subsidiary
Shenzhen Zhonglian Datong Supply Chain Management and Consulting Co., Ltd	Controlled by the final controller of minority shareholder of subsidiary

5. List of Related-party Transactions

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

① Information on acquisition of goods and reception of labor service

Related party	Content	Reporting Period	Same period of last year
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	Purchase of materials	240,287,126.86	284,465,554.74
OCT Group and its subsidiaries	Purchase of materials and service	23,908,088.67	77,699,708.46
Shenzhen Konka Information Network Co., Ltd.	Commodity purchase	307,872,053.25	162,997,919.05
Guangan Ouqishi Electronic Technology Co., Ltd.	Commodity purchase	2,072,830,346.78	—
Kunshan Konka Electronic Co., Ltd.	Purchase of materials and commodity	1,264,029,751.78	219,855,232.07
Guizhou Jiaguida Technology Co., Ltd.	Purchase of mobile phones	399,857,353.52	—

Related party	Content	Reporting Period	Same period of last year
Shenzhen Trade Link Supply Chain Management Co., Ltd.	Purchase of materials	126,942,856.71	—
Chuzhou Hanshang Electric Appliance Co., Ltd.	Commodity purchase	34,645,938.39	—
Anhui Kaikai Shijie E-commerce Co., Ltd.	Commodity purchase	19,313,938.76	—
Zhuhai Jinsu Plastic Co., Ltd.	Purchase of materials	4,604,195.82	15,492,478.63
Changrong Media Co., Ltd.	Advertising agency	3,041,943.35	—
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Commodity purchase	1,812,643.12	4,137,056.47
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Commodity purchase	1,284,602.58	326,074.94
Shenzhen Zhonglian Datong Supply Chain Management and Consulting Co., Ltd	Consultancy	1,160,469.47	3,784,772.66
Shenzhen Yaode Technology Co., Ltd.	Purchase of materials	930,320.20	—
Shenzhen Henglongtong Technology Co., Ltd.	Purchase of	228,709.45	—

Related party	Content	Reporting Period	Same period of last year
	materials		
Shenzhen Zhongbing Konka Technology Co., Ltd.	Purchase of materials	180,683.76	—
Shenzhen RF-LINK Technology Co., Ltd.	Purchase of materials	151,150.76	—
Jiangxi Youshi Xinrong Culture Communication Co., Ltd.	Advertising agency	—	19,811,320.75
Beijing Konka Technology Co., Ltd.	Commodity purchase	240,225.43	551,481.65

② Information of sales of goods and provision of labor service

Related party	Content	Reporting Period	Same period of last year
UNIFORTUNE (HK) COMPANY LIMITED	Sales of materials	3,595,163,483.38	—
AUJET INDUSTRY LIMITED	Sales of materials	3,543,163,233.52	—
Kunshan Konka Electronic Co., Ltd.	Sales of materials	895,011,807.00	260,670,330.28
Anhui Kaikai Shijie E-commerce Co., Ltd.	Commodity sales	534,811,373.44	—
Guangan Ouqishi Electronic Technology Co., Ltd.	Sales of materials	200,316,791.46	—
Shenzhen Konka Information Network Co., Ltd.	Sales of materials and providing services	124,076,873.37	61,695,634.89
Guizhou Jiaguida Technology Co., Ltd.	Sales of materials	57,213,274.71	—
Shenzhen Yaode Technology Co., Ltd.	Sales of materials	52,989,502.78	—

Related party	Content	Reporting Period	Same period of last year
OCT Group and its subsidiaries	Sales of commodity and providing services	38,726,630.10	25,425,675.14
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	Providing labor service	18,596,740.44	18,956,689.52
Helongjiang Longkang Zhijia Technology Co., Ltd.	Commodity sales	15,030,200.64	—
Shenzhen Trade Link Supply Chain Management Co., Ltd.	Sales of materials	12,952,947.60	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	Advertising service	3,487,294.25	940,650.14
Nanjing Smart Light Information Technology Research Institute Co., Ltd.	Providing service	1,456,310.70	—
Shenzhen Zhongbing Konka Technology Co., Ltd.	Sales of materials and providing services	999,326.31	2,568,447.15
Feidi Technology (Shenzhen) Co., Ltd.	Rental service	977,117.64	—
Guoguang Eastern Network (Beijing) Co., Ltd.	Advertising service	793,092.82	3,100,030.29
Shenzhen RF-LINK Technology Co., Ltd.	Rental service	593,665.05	—
Chengdu One Belt Communication Equipment Co., Ltd.	Commodity sales	564,655.17	—
Oriental Huijia (Zhuhai) Asset Managemnt Co., Ltd.	Rental service	191,099.97	—
Anhui Konka Green Lighting Technology Co., Ltd.	Providing service	—	648,888.41
Beijing Konka Technology Co., Ltd.	Providing service	—	62,966.96
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	Commodity sales	—	20,150.77

(2) Information on Related-party Lease

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
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			year
OCT Group and its subsidiaries	Commercial residential building and office building	1,541,573.44	601,969.48

(3) Information on Related-party Guarantee

① The Company was guarantor

Secured party	Guarantee amount (RMB'0,000)	Currency	Start date	End date	Execution accomplished or not
Anhui Tongchuang	1,410.00	CNY	7 November 2018	7 November 2019	Not
Anhui Tongchuang	2,000.00	CNY	9 May 2018	9 May 2019	Not
Anhui Tongchuang	2,150.00	CNY	19 June 2018	12 June 2019	Not
Anhui Tongchuang	5,000.00	CNY	20 September 2018	14 August 2019	Not
Telecommunication Technology	5,35.46	CNY	5 February 2018	4 February 2019	Not
Konka Commercial Factoring (Shenzhen) Co., Ltd.	13,580.00	CNY	27 June 2018	26 June 2019	Not
Konka Commercial Factoring (Shenzhen) Co., Ltd.	10,000.00	CNY	21 September 2018	29 August 2019	Not
Hong Kong Konka	3,000.00	USD	31 May 2018	30 May 2019	Not
Hong Kong Konka	350.00	USD	25 July 2018	25 March 2019	Not
Hong Kong Konka	1,500.00	USD	7 August 2018	6 August 2019	Not

Secured party	Guarantee amount (RMB'0,000)	Currency	Start date	End date	Execution accomplished or not
Anhui Konka	20,000.00	CNY	2 May 2018	9 April 2019	Not
Anhui Konka	8,000.00	CNY	1 June 2018	1 June 2019	Not
Anhui Konka	10,000.00	CNY	6 December 2018	6 December 2019	Not
Sichuan Konka	5,000.00	CNY	28 May 2018	24 May 2025	Not
XingDa HongYe	5,800.00	CNY	21 November 2018	21 November 2020	Not
XingDa HongYe	950.00	CNY	13 November 2018	13 November 2020	Not
Econ Technology	3,135.00	CNY	10 October 2018	10 October 2019	Not
Jiangxi Konka	10,000.00	CNY	4 December 2018	31 December 2019	Not
Rushan Yike Water Treatment Co., Ltd.	15,000.00	CNY	29 December 2016	28 December 2026	Not
Jiangxi Xinxin Jianan Engineer Co., Ltd.	10,000.00	CNY	16 December 2016	16 December 2018	Not
Jiangxi Zhongyi Decoration Material Co., Ltd.	10,000.00	CNY	16 December 2016	16 December 2018	Not
Jiangxi Shanshi Technology Development Co., Ltd.	10,000.00	CNY	16 December 2016	16 December 2018	Not

Refer to Note XII-2.-(2) Contingent Liabilities Generated from Providing Debt Guarantees for Other Entities and Financial Influence thereof for details of external guarantees of the Company.

②The Company was secured party

Guarantor:	Guarantee amount (RMB'0,000)	Currency	Start date	End date	Execution accomplished or not
Chuzhou State-owned Assets Management Co., Ltd.	4,400.00	CNY	2 May 2018	9 April 2019	Not
Chuzhou State-owned Assets Management Co., Ltd.	1,760.00	CNY	1 June 2018	1 June 2019	Not
Chuzhou State-owned Assets Management Co., Ltd.	2,200.00	CNY	6 December 2018	6 December 2019	Not
Shenzhen Kangwei Investment Partnership (Limited Partnership)	2,450.00	CNY	28 May 2018	24 May 2025	Not
Hu Zehong	2,610.00	CNY	21 November 2018	21 November 2020	Not
Hu Zehong	465.50	CNY	13 November 2018	13 November 2020	Not
Yantai Baijiangyuan Business Management Center (Limited Partnership)	816.35	CNY	10 October 2018	10 October 2019	Not
Yantai Fengqingtai Investment Center (Limited Partnership)	363.03	CNY	10 October 2018	10 October 2019	Not
Yantai Qingrunyuan Business Management Center (Limited Partnership)	333.56	CNY	10 October 2018	10 October 2019	Not
Yantai Qingjiangchuan Business Management Center (Limited Partnership)	23.20	CNY	10 October 2018	10 October 2019	Not
Zhu Xinming	4,900.00	CNY	4 December 2018	31 December 2019	Not

Hunan Vary Tech Packing Co., Ltd.	2,000.00	CNY	5 April 2017	---	Not
Guizhou Huajinrun Technology Group Co., Ltd.	75.59	CNY	16 April 2018	---	Not
Huanjia Group Co., Ltd.	24,500.00	CNY	7 August 2018	6 August 2023	Not
AUJET INDUSTRY LIMITED	245.00	USD	18 May 2018	17 May 2019	Not
AUJET INDUSTRY LIMITED	147.00	USD	6 August 2018	5 August 2019	Not
AUJET INDUSTRY LIMITED	98.00	USD	14 August 2018	13 August 2019	Not
AUJET INDUSTRY LIMITED	147.00	USD	17 August 2018	16 August 2019	Not
AUJET INDUSTRY LIMITED	147.00	USD	27 August 2018	26 August 2019	Not
AUJET INDUSTRY LIMITED	98.00	USD	14 September 2018	13 September 2019	Not
AUJET INDUSTRY LIMITED	245.00	USD	26 September 2018	25 September 2019	Not
AUJET INDUSTRY LIMITED	98.00	USD	28 September 2018	27 September 2019	Not
AUJET INDUSTRY LIMITED	245.00	USD	9 October 2018	8 October 2019	Not
AUJET INDUSTRY LIMITED	686.00	USD	11 October 2018	10 October 2019	Not
AUJET INDUSTRY LIMITED	392.00	USD	16 October 2018	15 October 2019	Not
AUJET INDUSTRY LIMITED	245.00	USD	23 October 2018	22 October 2019	Not
AUJET INDUSTRY LIMITED	49.00	USD	26 October 2018	25 October 2019	Not
AUJET INDUSTRY LIMITED	171.50	USD	1 November 2018	31 October 2019	Not
AUJET INDUSTRY LIMITED	34.30	USD	28 December 2018	27 December 2019	Not

Guizhou Huajinrun Technology Group Co., Ltd.	1,620.00	USD	9 May 2018	---	Not
Shenzhen Musen Industry Co., Ltd.	9,800.00	CNY	18 April 2018	18 March 2019	Not
Shenzhen Unifortune Supply Chain Management Co., Ltd.	1,470.00	USD	26 September 2018	29 October 2019	Not
Shenzhen Unifortune Supply Chain Management Co., Ltd.	2,940.00	USD	28 May 2018	29 October 2019	Not
Wu Guoren and Xiao Yongsong	2,000.00	USD	21 August 2017	31 December 2018	Not
Wu Guoren and Xiao Yongsong	3,500.00	USD	11 November 2016	17 October 2018	Not
Wu Guoren and Xiao Yongsong	1,000.00	USD	6 March 2016	31 December 2018	Not
Wu Guoren and Xiao Yongsong	1,000.00	USD	24 April 2017	31 December 2018	Not
Wu Guoren and Xiao Yongsong	1,000.00	USD	11 May 2017	31 December 2018	Not
Wu Guoren and Xiao Yongsong	500.00	USD	21 June 2017	20 June 2018	Not
Wu Guoren and Xiao Yongsong	500.00	USD	3 July 2017	2 July 2018	Not
Wu Guoren and Xiao Yongsong	500.00	USD	24 July 2017	24 July 2018	Not
Wu Guoren and Xiao Yongsong	500.00	USD	9 August 2017	8 August 2018	Not
Wu Guoren and Xiao Yongsong	2,000.00	USD	6 September 2017	5 September 2018	Not

Note: The reason for the Company's acting as the secured party was that the Company was provided with counter guarantee regarding entrusted loans from the Company to non-wholly-owned subsidiaries by minority shareholders of aforesaid non-wholly-owned subsidiaries.

(6) Information on Inter-bank Lending of Capital of Related Parties

Related party	Amount	Start date	End date	Duration	Interest rate
Borrowing:					
OCT Group	10,000.00	25 June 2018	12 April 2023	14 June 2018 to 6 June 2021	5.40%
OCT Group	2,000.00	25 June 2018	12 April 2023	19 July 2018 to 14 June 2021	5.60%
OCT Group	140,000.00	25 June 2018	12 April 2023	14 May 2018 to 13 May 2019	6.00%
OCT Group	48,000.00	25 June 2018	12 April 2023	19 July 2018 to 19 July 2019	6.00%
OCT Group	100,000.00	25 June 2018	12 April 2023	19 October 2018 to 18 October 2019	6.00%
OCT Group	50,000.00	22 December 2018	21 April 2019	22 December 2018 to 21 April 2019	5.00%
OCT Group	27,656.00	26 April 2018	31 August 2019	26 April 2018 to 31 August 2019	5.00%
OCT Group	50,000.00	17 December 2018	12 December 2019	17 December 2018 to 12 December 2019	5.00%
Chuzhou Hanshang Electric	4,395.00	21 September	31 December	21 September 2018 to	7.00%

Related party	Amount	Start date	End date	Duration	Interest rate
Appliance Co.,Ltd.		2018	2018	31 December 2018	
Chuzhou Hanshang Electric Appliance Co.,Ltd.	6,000.00	17 July 2018	31 December 2018	17 July 2018 to 31 December 2018	7.00%
Lending:					
Nanjing Kangxing Technology Industrial Park Operation and Management Co., Ltd.	77,600.00	22 October 2018	21 April 2019	22 October 2018 to 21 April 2019	8.00%
Nanjing Kangxing Technology Industrial Park Operation and Management Co., Ltd.	29,400.00	21 December 2018	20 March 2019	21 December 2018 to 20 March 2019	8.00%
Nanjing Kangxing Technology Industrial Park Operation and Management Co., Ltd.	54,400.00	22 October 2018	21 April 2019	22 October 2018 to 21 April 2019	8.00%
Nanjing Kangxing Technology Industrial Park Operation and Management Co., Ltd.	20,500.00	21 December 2018	20 December 2019	21 December 2018 to 20 December 2019	8.00%
Yibin OCT Sanjiang Real Estate Co., Ltd.	4,000.00	25 October 2018	24 October 2021	25 October 2018 to 24 October 2021	5.70%

Related party	Amount	Start date	End date	Duration	Interest rate
Yibin OCT Sanjiang Real Estate Co., Ltd.	6,000.00	25 October 2018	24 April 2020	25 October 2018 to 24 April 2020	5.70%
Hunan Vary Tech Packing Co., Ltd.	2,000.00	16 March 2017	15 March 2019	16 March 2017 to 15 March 2019	8.00%

Note 1: In 2018, the Company was provided loans by OCT Group with recognized interest expense of RMB107,474,353.32.

Note 2: In 2018, Chuzhou Hanshang Electric Appliance Co.,Ltd. provided the loan of RMB1,039,500 million for Electrical Appliance Technology with recognized interest expense of RMB4,284,773.93 recognized by Electrical Appliance Technology.

Note 3: In 2018, Electronics Technology, the Company's subsidiary, provided a loan of RMB776,000,000.00 and a loan of RMB294,000,000.00 for Nanjing Konka Star Technology Industrial Park Management Co., Ltd. with interest income of RMB12,962,222.22 by Electronics Technology.

Note 4: In 2018, Shenzhen Konka Investment Holding Co., Ltd., the subsidiary of the Company, provided a loan of RMB544,000,000.00 and a loan of RMB205,000,000.00 for Nanjing Konka Star Technology Industrial Park Management Co., Ltd. with interest income of RMB9,084,222.23 recognized by Konka Investment Holding Co., Ltd.

Note 5: In 2018, Communication Technology, the subsidiary of the Company, provided a loan of RMB100,000,000.00 for Yibin OCT Sanjiang Real Estate Co., Ltd. with interest income of RMB1,076,666.66 recognized by Communication Technology.

Note 6: The entrusted loan provided by the Company for Vary Packing recognized the investment income of RMB1,389,042.49 in 2018.

(5) Information on Remuneration for Key Management Personnel

Item	Reporting period	Same period of last year
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Remuneration for key management personnel	2,132.92	1,292.40
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6. Accounts Receivable and Payable of Related 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.	498,176,202.82	34,872,334.20	340,827,332.77	6,816,546.66
Anhui Kaikai Shijie E-commerce Co., Ltd.	225,683,544.96	15,797,848.15	—	—
Guizhou Jiaguida Technology Co., Ltd.	34,560,012.48	2,419,200.87	—	—
Shenzhen Konka Information Network Co., Ltd.	20,049,748.74	1,403,482.41	50,237,204.89	1,586,224.62
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	13,445,059.89	941,154.19	13,685,968.41	614,448.23
OCT Group and its subsidiaries	12,212,400.48	1,606,135.40	12,597,677.70	398,014.48
Binzhou Beihai Weiqiao Solid Waste Disposal Co., Ltd.	6,096,891.16	426,782.38	—	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	3,696,532.00	258,757.24	—	—
Nanjing Smart Light Information Technology Research Institute Co.,	1,500,000.00	105,000.00	—	—

Item	Ending balance		Beginning balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Ltd.				
Helongjiang Longkang Zhijia Technology Co., Ltd.	822,825.15	57,597.76	—	—
Guoguang Eastern Network (Beijing) Co., Ltd.	430,948.43	30,166.39	889,327.11	17,786.54
Anhui Konka Green Lighting Technology Co., Ltd.	—	—	2,479.62	49.59
Total	816,674,166.11	57,918,458.99	418,239,990.50	9,433,070.12
Notes receivable:				
Anhui Kaikai Shijie E-commerce Co., Ltd.	240,100,000.00	—	—	—
Kunshan Konka Electronic Co., Ltd.	—	—	20,000,000.00	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	—	—	657,263.10	—
Total	240,100,000.00	—	20,657,263.10	—
Other receivables:				
Jiangxi Meiji Industry Co., Ltd.	74,788,640.31	1,495,772.81	—	—
OCT Group and its subsidiaries	20,520,295.97	8,654,793.94	20,335,596.53	8,752,805.29
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	4,448.00	2,224.00	4,448.00	2,224.00

Item	Ending balance		Beginning balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Guoguang Eastern Network (Beijing) Co., Ltd.	—	—	5,600.00	112.00
Total	95,313,384.28	10,152,790.75	20,345,644.53	8,755,141.29
Long-term receivables:				
Shenzhen RF-LINK Technology Co., Ltd.	14,086,876.64	—	—	—
Feidi Technology (Shenzhen) Co., Ltd. and its subsidiaries	43,476,841.21	—	—	—
Total	57,563,717.85	—	—	—
Prepayments:				
Anhui Kaikai Shijie E-commerce Co., Ltd.	5,852,304.78	—	—	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	4,673,013.98	—	—	—
Shenzhen Konka Information Network Co., Ltd.	4,488,599.93	—	—	—
Changrong Media Co., Ltd.	800,000.00	—	—	—
Chongqing Qingjia	499,972.16	—	—	—
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	9,209.28	—	—	—
OCT Group and its subsidiaries	5,000.00	—	—	—

Item	Ending balance		Beginning balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Total	16,328,100.13	—	—	—

(2) Accounts Payable

Item	Ending balance	Beginning balance
Accounts payable:		
Kunshan Konka Electronic Co., Ltd.	475,848,121.39	17,018,441.87
Anhui Kaikai Shijie E-commerce Co., Ltd.	209,523,283.33	—
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	17,153,118.33	37,592,153.20
Shenzhen Shangyongtong Investment Development Co., Ltd.	9,543,100.00	9,543,100.00
OCT Group and its subsidiaries	1,289,224.82	23,738,766.66
Shenzhen Konka Information Network Co., Ltd.	369,488.00	31,386,862.99
Shenzhen RF-LINK Technology Co., Ltd.	128,562.88	—
Shenzhen Henglongtong Technology Co., Ltd.	122,247.47	—
Shenzhen Yaode Technology Co., Ltd.	77,602.03	—
Zhuhai Jinsu Plastic Co., Ltd.	55,912.37	181,072.00
Shenzhen Trade Link Supply Chain Management Co., Ltd.	38,426.68	—
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	—	1,686,317.71
Shenzhen Dekang Electronics Co., Ltd.	—	358,929.03
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	—	326,074.94
Total	714,149,087.30	121,831,718.40

Item	Ending balance	Beginning balance
Notes payable:		
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	4,290,778.05	55,513,548.64
Shenzhen Henglongtong Technology Co., Ltd.	224,422.12	—
OCT Group and its subsidiaries	—	9,341,980.07
Kunshan Konka Electronic Co., Ltd.	—	2,348,210.23
Zhuhai Jinsu Plastic Co., Ltd.	—	1,000,000.00
Total	4,515,200.17	68,203,738.94
Advances from customers:		
OCT Group and its subsidiaries	3,333,333.32	15,416,818.63
Kunshan Konka Electronic Co., Ltd.	—	7,105,969.56
Shenzhen Konka Information Network Co., Ltd.	—	151,922.19
Shenzhen Zhongbing Konka Technology Co., Ltd.	—	38,133.55
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	—	9,390.72
Total	3,333,333.32	22,722,234.65
Other payables:		
Chuzhou Hanshang Electric Appliance Co.,Ltd.	108,380,202.82	—
Feidi Technology (Shenzhen) Co., Ltd. and its subsidiaries	5,638,548.27	—
Shenzhen RF-LINK Technology Co., Ltd.	5,100,000.00	—
Nanjing Smart Light Information Technology Research Institute Co., Ltd.	3,000,000.00	—
Konka Ventures	2,500,000.00	—

Item	Ending balance	Beginning balance
OCT Group and its subsidiaries	280,218.08	224,428.80
Guoguang Ruilian (Shenzhen) Internet Technology Co., Ltd.	100,000.00	100,000.00
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	35,755.00	101,885.00
Anhui Kaikai Shijie E-commerce Co., Ltd.	23,695.00	—
Shenzhen Konka Information Network Co., Ltd.	20,000.00	2,369,781.35
Kunshan Konka Electronic Co., Ltd.	10,000.00	10,000.00
Changrong Media Co., Ltd.	7,000.00	—
Chongqing Konka Auto Electronics Co., Ltd.	—	1,070,875.91
Shenzhen Konka Precision Mould Manufactory Co., Ltd. and its subsidiaries	—	590,000.00
Shenzhen Zhonglian Datong Supply Chain Management and Consulting Co., Ltd	—	79,533.29
Anhui Konka Green Lighting Technology Co., Ltd.	—	3,338.38
Total	125,095,419.17	4,549,842.73
Interest payable:		
OCT Group and its subsidiaries	24,158,666.48	5,834,416.68
Total	24,158,666.48	5,834,416.68

XII. Commitments and Contingency

1. Significant Commitments

(1) Capital Commitment

Item	Ending balance	Beginning balance
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Commitments signed but hasn't been recognized in financial statements		
—Commitment on construction and purchase of long-lived assets	—	—
- Contract with large amount	1,011,650,352.93	247,552,974.60
- Foreign investment commitments	—	—
Total	1,011,650,352.93	247,552,974.60

(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	21,179,914.81	19,362,845.58
2 year after balance date	10,038,667.42	10,257,149.32
3 year after balance date	3,662,167.92	4,199,375.82
Following years	3,938,998.40	2,570,971.55
Total	38,819,748.55	36,390,342.27

(3) Other Commitments

As of 31 December 2018, there were no other significant commitments for the Company to disclose.

2. Contingency

(1) Contingent Liabilities Generated from Pending Action and Arbitration and Financial Influence thereof

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.

③ According to the civil judgment (2018) GMC No.110 made by the Higher People's Court of Jiangxi Province on September 27, 2018 on the disputes arisen from a loan contract between the minority shareholders of Jiangxi Konka, a subsidiary of the Company, and China Great Wall AMC Jiangxi Branch, the 100% equity of Nanocrystalline and the 100% equity of Xinfeng Microcrystalline held by Jiangxi Konka were frozen; On September 30, 2018, Jiangxi Konka filed an application for reconsideration, and on October 11, 2018, Jiangxi Konka filed an application for supplementary reconsideration. According to one of the civil judgments (2018) GMC No.110 made by the Higher People's Court of Jiangxi Province on November 16, 2018, the collateral of the first trial was sealed up or detained.

④ According to the civil judgment (2016) Gan 01 MC No. 628 made by Nanchang Intermediate People's Court on July 25, 2016 on the disputes arisen from the construction contract between Xinfeng Microcrystalline, a subsidiary of Jiangxi Konka, and Jiangxi Longji Construction Engineering Co., Ltd., the defendant Xinfeng Microcrystalline should pay the plaintiff RMB19,741,456.02 for the project and the interest

therefrom within 10 days after the judgment took effect. Interest was calculated according to the similar lending rate for the same period issued by the People's Bank of China based on the principal of RMB 19,741,456.02 from November 24, 2016 to the date when the principal amount was paid off.

Both Xinfeng Microcrystalline and Jiangxi Longji Construction Engineering Co., Ltd. refused to accept the above judgment and filed an appeal. The Higher People's Court of Jiangxi Province made a civil judgment (2018) GMZ No. 519 on November 6, 2018 to maintain the original judgment. On February 21, 2019, Nanchang Intermediate People's Court issued the (2018) Gan 01 Z No. 620 Announcement on the plan of evaluation and auction of the land owned by Xinfeng Microcrystalline, which locates at Fenghuangshan, Anyi County, Jiangxi Province for industrial development. Xinfeng Microcrystalline and the above-ground leaseholders are requested to move out the area within 60 days from the date of the announcement posting, and compulsory execution will be carried out for overstay.

(2) Contingent Liabilities Generated from Providing Debt Guarantees for Other Entities and Financial Influence thereof

① The Company signed the maximum amount guarantee contract (No. 18czA0012-a-XCYZGBZD2018) with Chuzhou Branch of China Citic Bank on Nov.7, 2018, in which the Company provided the maximum credit guarantee of RMB 58 million to Anhui Konka Tongchuang International Trade Co., Ltd. within three years from the day when the obligation fulfillment period stipulated in the specific business contract expired, and the guarantee mode was the joint liability guaranty. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has been used RMB 14,100,000.00 by Dec. 31, 2018.

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 RMB 20,000,000.00.

- ③ The Company signed the maximum amount guarantee contract (No. CZGSBOZGBT20180011) with Chuzhou Branch of China Everbright Bank on June 19, 2018, in which the Company provided the maximum credit guarantee of RMB 30 million to Anhui Konka Tongchuang International Trade Co., Ltd. From June 19, 2018 to June 12, 2019, and the guarantee mode was the joint liability guaranty. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has been used RMB 21,500,000.00 by Dec. 31, 2018.
- ④ The Company signed the maximum amount guarantee contract (No. 00035 ZSYGBZD2018) (361006) with Hefei Branch of China Zheshang Bank on Sep. 20, 2018, in which the Company provided the maximum credit guarantee of RMB 55 million to Anhui Konka Tongchuang International Trade Co., Ltd. within two years from the day when the debtor's obligation fulfillment period stipulated in the debt contract signed between Anhui Tongchuang and Hefei Branch of China Zheshang Bank expired, and the guarantee mode was the joint liability guaranty. The credit line is mainly used to open and accept the letter of credit of Anhui Tongchuang International Trade Co., Ltd. and obtain the financing credit and other daily businesses from the bank. The guarantee amount has been used RMB 50,000,000.00 by Dec. 31, 2018.
- ⑤ The Company signed the credit line agreement (No.1000014 ZZYFEXZD2018) with Bank of China Shenzhen Futian Branch and Shenzhen Konka Telecommunication Technology Co., Ltd. to apply for a credit line of RMB 5,500,000,000.00, and stipulate that the credit line RMB 500,000,000.00 in the comprehensive credit line would be provided to the subsidiary (Telecommunication Technology Company) for use. The credit line type was the acceptance bill, non-financial guarantee and trade financing credit, and the Company assumed joint liability for the repayment. The credit line period shall be valid from the date of the above agreement to February 4, 2019. As of December 31, 2018, the Company's guarantee balance for the subsidiary was RMB 5,354,631.23.
- ⑥ On June 27, 2018, the Company signed Issuing Guarantee/SLC Agreement with Shenzhen Overseas Chinese Town Branch of Agricultural Bank of China to provide the guarantee for Konka Factoring to apply for the financing loan from Agricultural Bank of China (Dubai Branch), and the amount guaranteed is RMB 140,000,000.00 with one-year guarantee period. As of December 31, 2018, Konka Factoring obtained a loan of RMB 135,800,000.00 from Agricultural Bank of China (Dubai Branch).
- ⑦ The Company signed Comprehensive Credit Line Contract (No. HXSFZLZZD20180921001) and applied to Shenzhen Branch of Guangdong

Huaxing Bank for comprehensive credit line of RMB 1,000,000,000.00. The guarantee period is from September 21, 2018 to August 29, 2019. The Company has sub-licensed the comprehensive credit line RMB 200,000,000.00 the subsidiary Konka Factoring (Shenzhen), and will assume the joint liability for guarantee. As of December 31, 2018, Konka Factoring used RMB 100,000,000.00.

⑧ The Company signed Issuing Guarantee/SLC Agreement (No.81050120180000032) with Shenzhen Overseas Chinese Town Branch of Agricultural Bank of China and applied for issuing the letter of guarantee of USD 30,000,000.00 on May 31, 2018 for Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is from May 31, 2018 to May 30, 2019. As of December 31, 2018, Hong Kong Konka Co., Ltd. obtained the loan of USD30,000,000.00 from Bank of China (Hong Kong) Co., Ltd.

⑨ On July 25, 2018, the Company signed the guarantee contract with Shenzhen Shennan Branch of China Minsheng Bank to provide the joint and several liability guarantee for the debts under the foreign currency loan contract signed by Hong Kong Konka Co., Ltd. and Shenzhen Branch of China Minsheng Bank. The guarantee period is two years from the date of expiration of the debt period, and the amount guaranteed is USD 3,500,000.00.

⑩ On July 11, 2018, the Company applied to Shenzhen Branch of HSBC Bank (China) Co., Ltd. for a letter of guarantee of USD 15,000,000.00, helping the subsidiary Hong Kong Konka Co., Ltd. to obtain the financing loan from the bank. The guarantee period is from August 7, 2018 to August 6, 2019. As of December 31, 2018, Hong Kong Konka obtained a loan of USD 15,000,000 from HSBC Limited.

⑪ The Company signed the guarantee contract (No.CZYEDBZ006 2018) with Chuzhou Branch of Bank of China, providing the joint and several liability guarantee for the debts under the credit line agreement (No.CZYEDZ006 2018) signed by Anhui Konka and Chuzhou Branch of Bank of China. The guarantee amount is RMB 200,000,000.00, and the guarantee period is two years from the expiration of the debt settlement period under the credit line agreement. The balance of the guarantee amount provided by the Company to Anhui Konka is RMB 200,000,000.00. Anhui Konka' another shareholder, Chuzhou State-owned Assets Operation Co., Ltd. provided the counter-guarantee to the Company for 22% of the guarantee amount.

⑫ On June 1, 2018, the Company signed the maximum amount guarantee contract (No.CZZHZGBZD0133 2018) with Chengzhong Branch of

Chuzhou Wandong Rural Commercial Bank, providing the joint and several liability guarantee for the debts under the comprehensive credit line agreement signed by Anhui Konka and Chengzhong Branch of Chuzhou Wandong Rural Commercial Bank. The guarantee amount is RMB 80,000,000.00, and the guarantee period is two years from the expiration of the debt settlement period under the credit line agreement. The balance of the guarantee amount provided by the Company to Anhui Konka is RMB 80,000,000.00. Anhui Konka' another shareholder, Chuzhou State-owned Assets Operation Co., Ltd. provided the counter-guarantee to the Company for 22% of the guarantee amount.

⑬ The Company signed the maximum amount guarantee contract (No.GGBZDDB1800000101834) with Ma'anshan Branch of China Minsheng Bank, providing the joint and several liability guarantee for the debts under the comprehensive credit line agreement signed by Anhui Konka and Ma'anshan Branch of China Minsheng Bank. The guarantee amount is RMB 100,000,000.00, and the guarantee period is two years from the expiration of the debt settlement period under the main contract. As of December 31, 2018, the balance of the guarantee amount provided by the Company to Anhui Konka is RMB 100,000,000.00. Anhui Konka' another shareholder, Chuzhou State-owned Assets Operation Co., Ltd. provided the counter-guarantee to the Company for 22% of the guarantee amount.

⑭ On May 28, 2018, the Company's subsidiary Telecommunication Technology signed the guarantee contract (No.(23301)YSHBZ(180525)00001) with Lingang Branch of Yibin Commercial Bank, providing the joint and several liability guarantee for the debts under the entrusted loan contract jointly signed by its subsidiary Konka Intelligent Terminal, Gloport Group and Lingang Branch of Yibin Commercial Bank. The guarantee amount is RMB 140,000,000.00, and the guarantee period is from May 28, 2018 to May 24, 2025. The guaranteed credit line is mainly used for obtaining the loan from the bank for the production and operation of Konka Intelligent Terminal. As of December 31, 2018, the guarantee amount RMB 50,000,000.00 was used. Konka Intelligent Terminal' another shareholder, Shenzhen Kangwei Investment Partnership (Limited Partnership) provided the counter-guarantee to Telecommunication Technology for 49% of the guarantee amount.

⑮ On November 21, 2018, the Company signed the guarantee contract (No.1510201811120052BZ-1) with Zhuhai Branch of Xiamen International Bank, providing the joint and several liability guarantee for the debts under the comprehensive credit line contract signed by the subsidiary Xingye Hongda and Zhuhai Branch of Xiamen International Bank. The guarantee amount is RMB 58,000,000.00, and the guarantee

period is two years from the expiration of the debt settlement period stipulated in the contract. As of December 31, 2018, Xingye Hongda used the guarantee amount RMB 58,000,000.00. Xingye Hongda' another shareholder, Hu Zehong provided the counter-guarantee to the Company for 49% of the guarantee amount.

⑯ On October 16, 2018, the Company's subsidiary Electronics Technology signed the guarantee contract (No.IFELC18D29PS7Y-U-03) with Far Eastern Leasing, providing the guarantee for the fulfillment of rent payment and other obligations under the after-sales lease back contract signed by the subsidiary Xingye Hongda and Far Eastern Leasing. The guarantee amount is RMB 10,000,000.00, and the guarantee period is from November 13, 2018 to November 13, 2020. As of December 31, 2018, the guarantee amount RMB 9,500,000.00 was used. Xingye Hongda' another shareholder, Hu Zehong provided the counter-guarantee to the Company for 49% of the guarantee amount.

⑰ On August 29, 2018, the Company signed Issuing Guarantee/SLC Agreement with Shenzhen Branch of Bank of China for issuing the letter of guarantee to CTCE Group and providing the pledge guarantee for the capital contribution obligation of Econ Technology in the central urban upgrading project of Weifang Binhai Economic and Technological Development Zone. The guarantee amount is RMB 31,350,000.00. Other shareholders of Econ Technology including Yantai Baijiangyuan Enterprise Management Center (Limited Partnership), Yantai Fengqingtai Investment Center (Limited Partnership), Yantai Qingrunyuan Enterprise Management Center (Limited Partnership) and Yantai Qingjiangchuan Enterprise Management Center (Limited Partnership) respectively provided the counter-guarantee to the Company for 26.04%, 11.58%, 10.64% and 0.74% of the maximum debt amount.

⑱ On December 4, 2018, the Company signed the maximum amount guarantee contract (No. XYGXGBZD20180208) with Nanchang Branch of China's Industrial Bank, providing the credit guarantee for the maximum amount RMB 100,000,000.00 of Jiangxi Konka New Material Technology Co., Ltd. The guarantee period is two years from the expiration of the debt settlement period stipulated in the main contract, and the guarantee mode is the joint liability guaranty. As of December 31, 2018, the guarantee amount RMB 100,000,000.00 was used. Another shareholder of Jiangxi Konka New Material Technology Co., Ltd., Zhu Xinming provided the counter-guarantee to the Company for 49% of the guarantee amount.

⑲ On December 27, 2016, the Company's subsidiary Econ Group signed the guarantee contract (No. YKB2016-167) with Yantai Branch of

China Everbright Bank, providing the guarantee for Rushan Yike. The guarantee amount is RMB 29,000.00, and the guarantee period is from December 29, 2016 to December 28, 2026. As of December 31, 2018, the guarantee amount RMB 15,000.00 was used.

⑳ On December 19, 2016, the company's subsidiary Jiangxi Konco New Material Technology Co., Ltd. (previously known as Jiujiang Golden Phoenix Decorative Material Co., Ltd.) signed the entrusted loan guarantee contract (No.NNYWBZDB10611201612190004 2016) with Nanchang Rural Commercial Bank to provide the guarantee for RMB 10,000.00 for Jiangxi Xinxin Jian'an Engineering Co., Ltd., and the guarantee period is two years from the expiration of the debt settlement period stipulated in the contract.

㉑ On December 19, 2016, the company's subsidiary Jiangxi Konco New Material Technology Co., Ltd. (previously known as Jiujiang Golden Phoenix Decorative Material Co., Ltd.) signed the entrusted loan guarantee contract (No.NNYWBZDB10611201612190003 2016) with Nanchang Rural Commercial Bank to provide the guarantee for RMB10,000.00 for Jiangxi Zhongyi Decorative Material Co., Ltd., and the guarantee period is two years from the expiration of the debt settlement period stipulated in the contract.

㉒ On December 16, 2016, the company's subsidiary Jiangxi Konco New Material Technology Co., Ltd. (previously known as Jiujiang Golden Phoenix Decorative Material Co., Ltd.) signed the entrusted loan guarantee contract (No.NNYWBZDB10611201612190002 2016) with Nanchang Rural Commercial Bank to provide the guarantee for RMB 10,000.00 for Jiangxi Shanshi Science and Technology Co., Ltd., and the guarantee period is two years from the expiration of the debt settlement period stipulated in the contract.

XIII. Events after Balance Sheet Date

1. Significant Non-adjusted Events

Item	Content	Influence number to the financial position and operating results	Reason of inability to estimate influence number
Issuance of stocks and bonds	Complete the private placement of corporate bonds of RMB2.5 billion on 15	Increase in bonds payable of RMB2.5 billion	N/A

Item	Content	Influence number to the financial position and operating results	Reason of inability to estimate influence number
	January 2019		
Significant share transfer	Transfer 17% shares of Nanjing Kangxing Technology Industrial Park Operation and Management Co., Ltd. held by Electronics Technology by listing	Investment income confirmed of RMB0.197 billion	N/A
Significant external investments	After the above-mentioned transfer of shares, the Company will provide financial aid not more than RMB1.088 billion at annual interest rate of 8% with term not longer than 3 years for Nanjing Kangxing Technology Industrial Park Operation and Management Co., Ltd. with other shareholders through the Company's wholly-owned subsidiary Konka Investment by shareholding ratio	Increase in the Company's external credits at 34%	N/A

2. Profit Distribution

The 7th Meeting of the 9th Board of Directors was held by the Company on 28 March 2019, on which the Profit Distribution Plan in 2018 that distributed RMB240,794,540.80 of cash dividend was approved. The profit distribution plan should be submitted to the 2018 Annual General Meeting for review and approval.

3. Influence of Implementation of New Accounting Standards since 1 January 2019

The Ministry of Finance issued the following standards on 31 March 2017: Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments (revised in 2017) (CK [2017] No.7), Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets (revised in 2017) (CK [2017] No.8), Accounting Standards for Business Enterprises No.24-Hedge Accounting (revised in

2017) (CK [2017] No.9), and issued the Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (revised in 2017) (CK [2017] No. 14) on 2 May 2017 (the above standards were referred to as “new financial instrument standards” collectively hereafter) and required all domestically listed companies to implement since 1 January 2019. Approved by the 7th Meeting of the 9th Board of Directors, the Company will carry out the aforesaid new financial instrument standards since 1 January 2019 and made changes in relevant accounting policies pursuant to above new financial instrument standards.

Accounting policy changes mainly involve the following:

Under new Financial Instruments Standards, all recognized financial assets are subsequently measured at amortized cost or fair value.

On the date of implementation of new financial instrument standards, the business model of managing financial assets is evaluated on the basis of the existing facts and circumstances of the Company on the same date, the characteristics of contractual cash flow on financial assets are evaluated on the basis of facts and circumstances at the time of initial recognition of the financial assets, and financial assets are classified into three categories: measured at amortized cost, measured at fair value with changes included in other comprehensive income, measured at fair value with changes included in profits and losses. For equity instrument investments measured at fair value with changes included in other comprehensive income, when the recognition of the financial asset is terminated, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained income, and not included in the current profits and losses.

Under new financial instrument standards, the Company makes provisions for impairment and recognition of credit impairment losses, based on the expected credit loss, for financial assets measured at amortized cost, investment in debt instruments measured at fair value with changes included in other comprehensive income, lease receivables, contractual assets and financial guarantee contracts.

XVI. Other Significant Events

1. On January 3, 2019, the Company signed Maximum Amount Guarantee Contract with Shenzhen Branch of Ningbo Bank. According to the contract, the Company provides the joint liability guarantee for the creditor's rights arising under the credit contract signed by Shenzhen Branch

of Ningbo Bank and the company's holding subsidiary E-DISPLAY. The guarantee amount is RMB 20 million, and the guarantee period is two years from the expiration of the debt performance period agreed in the credit contract.

2. On January 14, 2019, the Company respectively signed Maximum Amount Guarantee Contract with Chuzhou Branch of China's Industrial Bank and Shenzhen Branch of China Minsheng Bank. According to the contract, the Company respectively provides the joint liability guarantee for the creditor's rights arising under the credit contract signed by Chuzhou Branch of China's Industrial Bank and Shenzhen Branch of China Minsheng Bank and the company's wholly-owned subsidiary Anhui Tongchuang. The guarantee amounts are respectively RMB 100 million and RMB 30 million, and the guarantee period is two years from the expiration of the debt performance period agreed in the credit contract.

3. On January 17, 2019, the Company signed Maximum Amount Guarantee Contract with Nanchang Honggutan Branch of Bank of Beijing. According to the contract, the Company provides the joint liability guarantee for the creditor's rights arising under the comprehensive credit line contract signed by Nanchang Honggutan Branch of Bank of Beijing and the company's holding subsidiary Jiangxi Konka. The guarantee amount is RMB 100 million, and the guarantee period is two years from the expiration of the debt performance period agreed in the credit contract.

4. On January 24, 2019, the Company signed Maximum Amount Guarantee Contract with Huangshan Road Branch of Hefei Science & Technology Commercial Bank. According to the contract, the Company provides the joint liability guarantee for the creditor's rights arising under the comprehensive credit line contract signed by Anhui Konka and Huangshan Road Branch of Hefei Science & Technology Commercial Bank. The guarantee amount is RMB 50 million, and the guarantee period is two years from the expiration of the debt performance period agreed in the main contract.

5. On February 21, 2019, the Company signed Guarantee Contract with Ma'anshan Branch of China Minsheng Bank. According to the contract, the Company provides the joint liability guarantee for the creditor's rights arising under Merger Loan Contract signed by Anhui Electric Appliances and Ma'anshan Branch of China Minsheng Bank. The guarantee amount is RMB 130 million, and the guarantee period is two years from the expiration of the debt performance period agreed in the main contract.

6. On March 13, 2019, the Company signed Guarantee Contract with Haitong Unitrust International Leasing Co., Ltd. According to the contract,

the Company provides the joint liability guarantee for the debts arising under Financing Lease-back Contract and all attachments signed by Haitong Unitrust and the company's holding subsidiary Jiangxi Konka. The guarantee amount is RMB 119 million, and the guarantee period is two years from the expiration of the debt performance period agreed in the main contract.

7. Loan by mandate:

(1) The Company, together with Shenzhen Overseas Chinese Town Co., Ltd. and China CITIC Bank Co., Ltd. Shenzhen Branch, has concluded the Sub-agreement for Electronic Loan by Mandate on Cash Management by CITIC Bank, numbered 811038022341. The amount of loan by mandate under the Agreement is RMB 2,000,000,000.00, with a term from the date of entry into force of the Agreement to April 12, 2023. The annual interest rate of the loan is 4% to 10%, subject to the confirmation of the borrower and the principal in the electronic loan by mandate on cash management. Subsequently, the three parties signed a Supplementary Agreement to the Sub-agreement for Electronic Loan by Mandate on Cash Management by CITIC Bank, numbered 811038022341-1, in which the amount of loan by mandate was changed to RMB 3,000,000,000.00. As of December 31, 2018, Shenzhen Overseas Chinese Town Co., Ltd. actually provided the Company with a loan balance by mandate of RMB 3,000,000,000.00 through China CITIC Bank Shenzhen Branch.

(2) On September 14, 2017, the Company and OCT Group Co., Ltd. and Shenzhen OCT Branch of China Construction Bank jointly signed Entrusted Loan Contract (No. JSWD 2017141). The total entrusted loan amount is RMB 5,000,000,000.00, and the loan term is from September 14, 2017 to December 31, 2018. Later, the three parties signed the entrusted loan extension contract on December 14, 2018 and December 19, 2018, and the total amount subject to such extension is RMB 1,276,560,000.00. As of December 31, 2018, the balance of the entrusted loan provided by OCT Group Co., Ltd. to the Company via OCT Branch of China Construction Bank was RMB 1,276,560,000.00.

8. Credit Granting:

(1) The Company, Shenzhen Futian Branch of Bank of China and Shenzhen Konka Telecommunication Technology Co., Ltd. jointly signed the credit line agreement (No. ZZYFEXZD1000014 2018), applying for a credit line of RMB 5,500,000,000.00 for issuing the acceptance bills, the non-financing guarantee and the trade financing. The Company provided RMB 1.3 billion bank acceptance bills for pledge, and agreed to

provide the amount of RMB 500,000,000.00 in the comprehensive credit line to the subsidiary Telecommunication Technology for use. The Company would be jointly and severally liable for the comprehensive credit. The credit line shall be valid from the date of the above credit line agreement to February 4, 2019. As of December 31, 2018, a total of RMB 2,943,479,305.08 was used from the above credit line, and the remaining credit line is RMB 2,556,520,694.92.

(2) The Company signed the credit line extension contract with Shenzhen OCT Branch of Industrial and Commercial Bank of China to apply for the maximum credit line of RMB 1.9 billion and extend the credit line period to September 30, 2019. As of December 31, 2018, a total of RMB 1525.7625 million was used from the above credit line, and the remaining credit line is RMB 374.2375 million.

(3) On January 2, 2018, the Company and Shenzhen Branch of Ping An Bank signed the comprehensive credit line contract (No.PYSZZZDA596201711270001), applying for the comprehensive credit line of RMB 400,000,000.00 for loaning working capital, opening the bank acceptance bills, opening the import letters of credit, opening the domestic letters of credit, the import and export documentary credit, the import and export payment withholding, the financing guarantees, and the discounting of commercial bills and other businesses etc. The credit line period is valid within 12 months from the day when the credit line contract becomes effective. As of December 31, 2018, the balance of the credit line is RMB 400,000,000.00.

(4) The Company and Shenzhen Branch of China Minsheng Bank signed the comprehensive credit line contract (No.GSXZDJT18006), applying for the maximum credit line of RMB 500,000,000.00 for the loan business based on RMB, bill of exchange acceptance, bill of exchange discount, guarantee; foreign currency loans, guarantees, letters of credit, financing guarantees, and buyer factoring guarantees in relation to the trade financing business. Konka Group Co., Ltd. agreed that its subsidiary, Anhui Konka Tongchuang could use the credit line under the comprehensive credit contract and provided the maximum guarantee for the amount used. It's also agreed that the Company could use RMB 350,000,000.00 from the above-mentioned credit line, of which, the financing guarantee was limited to USD 50 million, and the guaranteed Hong Kong Konka Co., Ltd. for overseas procurement of raw materials; Anhui Konka Tongchuang could use the above credit line RMB 30 million, and the Company provided the joint liability guarantee. The types of credit line are limited to the draft acceptance, the discount of bill, the redemption limit of commercial bills and the replacement of bills. As of December 31, 2018, a total of RMB 184.2749 million was used from

the above credit line, and the remaining credit line is RMB 325.7251 million.

(5) The Company signed the comprehensive credit line contract with Shenzhen Branch of Bank of Communications, applying for the credit line of RMB 500,000,000.00 for the RMB working fund loan, the bank acceptance, the opening of e-bank acceptance bill, the letter of guarantee, the import letters of credit, and the import documentary bills, the financing of import outward remittance, the opening of domestic letters of credit, and the buyer's documentary bills of domestic LC. The credit line is valid from April 11, 2017 to April 11, 2019. As of December 31, 2018, a total of RMB 300,000,000.00 was used from the above credit line, and the remaining credit line is RMB 200,000,000.00.

(6) The Company signed the comprehensive credit line contract (No.SYQHZZD0006 2018) with Shenzhen Branch of China Citic Bank, applying for the comprehensive credit line of RMB 400,000,000.00. The credit line period is from October 12, 2018 to July 27, 2019. As of December 31, 2018, a total of RMB 400,000,000.00 was used from the above credit line.

(7) On November 15, 2018, the Company signed the comprehensive credit line contract (No.ZSYZSZD00009 (584600) 2018) with Shenzhen Branch of China Zheshang Bank, applying for the maximum credit line of RMB 1,000,000,000.00. The credit line period is from November 15, 2018 to August 14, 2019. As of December 31, 2018, a total of RMB 300,000,000.00 was used from the above credit line, and the remaining credit line is RMB 700,000,000.00.

(8) The Company signed the Comprehensive Credit Line Contract (No. HXSFZLZZD20180921001) and applied to Shenzhen Branch of Guangdong Huaxing Bank for the comprehensive credit line of RMB 1,000,000,000.00. The guarantee period is from September 21, 2018 to August 29, 2019. The Company has sub-licensed the comprehensive credit line RMB 200,000,000.00 the subsidiary Konka Factoring (Shenzhen). As of December 31, 2018, a total of RMB 600 million was used from the above credit line, and the remaining credit line is RMB 400 million.

(9) On May 10, 2018, the Company signed the comprehensive credit line contract (No.BSFZ(2018)9) and the supplementary agreement with Shenzhen Branch of China Bohai Bank, applying for the total credit line of RMB500,000,000.00. The credit line term is one year, and the credit line is used for the working capital loan, the trade bill acceptance, the opening of the import LC, the export LC documentary bills, the import

documentary bills and the opening of domestic LC. As of December 31, 2018, a total of RMB 366,660,000.00 was used from the above credit line, and the remaining credit line is RMB 133,340,000.00.

(10) On November 26, 2018, the Company signed the credit line agreement (No.BY(2018)ZFJGBSXZD1126001) with Shenzhen Nanshan Baosheng Village Bank, applying for the credit line of RMB 20,000,000.00, and the credit line period is from November 26, 2018 to November 26, 2019. The credit line is used for the opening of bank acceptance bills, the working capital loans and the discounting of commercial acceptance bills etc. As of December 31, 2018, a total of RMB 20,000,000.00 was used from the above credit line.

(11) On November 28, 2018, the Company signed the credit line contract (No. XYSHSXZ(2018)D0152) with Shenzhen Branch of China Industrial Bank, applying for the maximum credit line of RMB 2,000,000,000.00, and the credit line could be used to (but not limited to) the working capital loan, the bank acceptance, the non-financing guarantee, and the letters of credit etc. The credit line period is valid from November 28, 2018 to November 28, 2019. As of December 31, 2018, a total of RMB 200,000,000.00 was used from the above credit line, and the remaining credit line is RMB 1,800,000,000.00.

(12) The Company applied the credit line of RMB1,200,000,000.00 via Shenzhen OCT Branch of Agricultural Bank of China which could be used for the loans, the bill acceptance, the notes discounted, the opening of LC, the packing loan, the import bill advance, the export bill purchase and the opening of letters of guarantee. The credit line shall be valid from February 28, 2018 to February 28, 2019. As of December 31, 2018, a total of RMB 1,057,030,000.00 was used from the above credit line, and the remaining credit line is RMB 142,970,000.00.

(13) The Company applied the credit line no more than RMB180,000,000.00 via Shenzhen Branch of Ningbo Bank which could be used for the loans, the bill acceptance, the notes discounted, the opening of LC, the packing loan, the import bill advance, the export bill purchase and the opening of letters of guarantee. The credit line shall be valid from November 29, 2018 to November 29, 2019. As of December 31, 2018, a total of RMB 180,000,000.00 was used from the above credit line.

(14) The Company applied the credit line no more than RMB 500,000,000.00 via Shenzhen Branch of Shanghai Pudong Development Bank which could be used for the loans, the bill acceptance, the notes discounted, the opening of LC, and the packing loan etc. The credit line shall be

valid from January 21, 2018 to January 21, 2019. As of December 31, 2018, a total of RMB 500,000,000.00 was used from the above credit line.

(15) The Company applied the credit line no more than RMB 100,000,000.00 via Shenzhen Nantou Branch of Hua Xia Bank which could be used for the loans, the bill acceptance, the notes discounted, and the opening of LC etc. The credit line shall be valid from January 21, 2018 to January 21, 2019. As of December 31, 2018, a total of RMB 100,000,000.00 was used from the above credit line.

(16) The Company applied the non-commitment combined revolving credit line no more than USD 15,000,000.00 via Shenzhen Nantou Branch of HSBC which could be used for the financial guarantee business. As of December 31, 2018, a total of USD 15,000,000.00 was used from the above credit line.

(17) The Company applied for the credit line of RMB 2,200,000,000.00 via Shenzhen OCT Branch of China Construction Bank, of which, RMB 940,000,000.00 was used as the comprehensive credit line, RMB 200,000,000.00 the financing credit line, RMB 500,000,000.00 the bonds, RMB 40,000,000.00 the working capital loan, RMB 20,000,000.00 the capital transaction credit line and RMB 500,000,000.00 other businesses. As of December 31, 2018, a total of RMB 982.5214 million was used from the above credit line, and the remaining credit line is RMB 1217.4786 million.

9. Trust:

On August 17, 2017, the Company entered into the “Project Individual Fund Trust Contract for Konka-COS Capital” numbered bitc2017(t)-7335 with the trustee Bohai International Trust Co., Ltd. in Shijiazhuang, instructing the trustee to invest the trust funds in the limited partnership share of Zhuhai Oriental Longchen Capital Management Centre (Limited Partnership) in accordance with the Contract. The partnership business invests the funds in the supply chain financial products approved by clients and debt financing of upstream and downstream enterprises of the Company, and executes the creditor's rights investment or equity investment projects perceived by business partners. Trust funds are delivered in stages with a period of no more than 9 months and a net return on investment of 9% per year. Partnership profits are distributed on December 20 of the Gregorian calendar in the duration and the expiration date of the trust. As of December 31, 2018, the investment amount reached RMB30 million.

10. CCB financing trust:

The Company entered into two cooperation agreement on online platform cloud-loan product with CCB Shenzhen Branch, specifically, a quota contract numbered L2018 P1161 Overseas Chinese Town and an agreement numbered C2018 P1161 Overseas Chinese Town. It is a loan transaction developed within the approved maximum cooperation quota for legal or individual business or natural person customers recommended by the Company by agreement, with joint liability guaranty or compensation commitment of the Company.

The cooperation quota approved by CCB Shenzhen Branch is RMB 200,000,000.00, with validity from August 9, 2018 to June 5, 2019. Within the approved cooperation quota, the Company enjoys a self-use quota of RMB 90,000,000.00, within which, RMB 80,000,000.00 was allocated to Shenzhen Konka Electronic Co., Ltd., a subsidiary of the Company, and RMB 30,000,000.00 was allocated to Shenzhen Konka E-display Co., Ltd., another subsidiary of the Company. As of December 31, 2018, an amount of RMB 44,841,523.41 of the financing trust was used by the Company, of which, RMB 35,297,625.17 was used by Shenzhen Konka Electronic Co., Ltd. and RMB 18,494,293.54 was used by Shenzhen Konka E-display Co., Ltd.

11. Accounts receivable in Guangdong Huaxing Bank:

The Company entered into the Domestic Factoring Business Contract with Guangdong Huaxing Bank Shenzhen Branch (Contract No. HXSZF20181130001). According to the Contact, Guangdong Huaxing Bank Shenzhen Branch provides the Company with a factoring quota not exceeding RMB500 million, with a validity from November 30, 2018 to November 29, 2019. As of December 31, 2018, the factoring of accounts receivable of the Company in the bank amounted to RMB 486,000,000.00.

XVII. Notes of Main Items in the Financial Statements of the Company

1. Notes Receivable and Accounts Receivable

Item	Ending balance	Beginning balance
Notes receivable	2,181,466,683.90	2,864,064,309.99
Accounts receivable	7,427,246,429.42	4,732,153,992.25

Item	Ending balance	Beginning balance
Total	9,608,713,113.32	7,596,218,302.24

(1) Notes Receivable

① Notes Receivable Listed by Category

Item	Ending balance	Beginning balance
Bank acceptance bill	2,176,711,080.13	2,862,824,536.60
Trade acceptance	4,755,603.77	1,239,773.39
Total	2,181,466,683.90	2,864,064,309.99

② Notes Receivable Pledged by the Company at the Period-end

Item	Amount
Bank acceptance bill	1,308,095,737.06
Trade acceptance	1,359,122.95
Total	1,309,454,860.01

③ Notes Receivable Endorsed by the Company or Discounted and not due on the Balance Sheet Date at the Period-end

Item	Derecognized Amount at the period-end	Non-derecognized amount at the period-end
Bank acceptance bill	330,783,688.83	-
Trade acceptance	-	-
Total	330,783,688.83	-

④ Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement

Item	Amount of the notes transferred to accounts receivable at the period-end
Bank acceptance bill	3,135,022.00
Trade acceptance	952,561,680.41
Total	955,696,702.41

(2) Accounts Receivable

① Accounts Receivable Classified by Category

Category	Ending balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	740,027,889.84	9.64	51,502,510.09	6.96	688,525,379.75
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:					
Group 1: aging group	1,029,783,688.54	13.42	177,758,725.88	17.26	852,024,962.66
Group 2: related party group	5,876,525,075.32	76.58	---	---	5,876,525,075.32
Subtotal of groups	6,906,308,763.86	90.00	177,758,725.88	2.57	6,728,550,037.98
Accounts receivable with insignificant	27,458,788.03	0.36	17,287,776.34	62.96	10,171,011.69

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
single amount for which bad debt provision separately accrued					
Total	7,673,795,441.73	100.00	246,549,012.31	3.21	7,427,246,429.42

(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 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: related party group	2,827,688,037.26	57.16	---	---	2,827,688,037.26
Subtotal of groups	4,910,511,947.95	99.26	197,902,700.06	4.03	4,712,609,247.89

Category	Beginning 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	36,839,946.40	0.74	17,295,202.04	46.95	19,544,744.36
Total	4,947,351,894.35	100.00	215,197,902.10	4.35	4,732,153,992.25

A. Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

Accounts receivable (by unit)	Ending balance			Withdrawal reason
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)	
CEFC(Shanghai)Group Co.,Ltd.	300,027,889.84	27,002,510.09	9.00	Expected to be difficult to recover in full
Jiangsu Hongtu Sanbao High-Tech Technology Co.,Ltd.	200,000,000.00	10,000,000.00	5.00	Expected to be difficult to recover in full
Jizhong Energy International Logistics Group Co., Ltd.	100,000,000.00	5,000,000.00	5.00	Expected to be difficult to recover in full
China Nuclear Engineering Construction Group Co., Ltd.	90,000,000.00	4,500,000.00	5.00	Expected to be difficult to recover in full
China Energy Power Fuel Co., Ltd.	50,000,000.00	5,000,000.00	10.00	Expected to be difficult to recover in full

Total	740,027,889.84	51,502,510.09	—	---
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B. Top 5 Accounts receivable with insignificant single amount for which bad debt provision separately accrued

Accounts receivable (by unit)	Ending balance			Withdrawal proportion (%)	Withdrawal reason
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)		
Henan Radio and Television Network Co., Ltd.	4,580,000.00	1,374,000.00	30.00	Expected to be difficult to recover in full	
Administration of Radio, Film and Television in Xinjiang Uygur Autonomous Region	1,708,054.00	546,577.28	32.00	Expected to be difficult to recover in full	
Beijing CP Lotus Store	1,656,628.91	1,656,628.91	100.00	Expected to be difficult to recover in full	
Qinhuangdao Baihai Electric Appliance Co., Ltd.	1,430,290.00	430,290.00	30.08	Expected to be difficult to recover in full	
Yunnan Radio and Television Network Group Co., Ltd.	1,317,242.76	461,034.97	35.00	Expected to be difficult to recover in full	
Total	10,692,215.67	4,468,531.16	---	---	

C. Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	832,664,457.75	16,653,289.15	2.00
1 to 2 years	37,336,460.30	1,866,823.02	5.00
2 to 3 years	416,541.03	83,308.21	20.00
3 to 4 years	263,411.99	131,706.00	50.00
4 to 5 years	158,435.94	79,217.97	50.00
Over 5 years	158,944,381.53	158,944,381.53	100.00
Total	1,029,783,688.54	177,758,725.88	

D. Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

Group name	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Related party group in the Company's combination scope	5,876,525,075.32	---	---
Total	5,876,525,075.32	---	---

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 31,674,284.72.

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

Total amount of Top 5 of ending balance of the accounts receivable collected according to arrears party was RMB6,372,877,322.39 accounting for 83.05% of total ending balance of accounts receivable. Total ending balance of bad debt provision withdrawn was RMB37,002,510.09.

2. Other Receivables

Item	Ending balance	Beginning balance
Interest receivable	5,769,663.24	23,894,771.88
Dividends receivable	-	2,690,276.72
Other receivables	6,661,693,463.33	4,314,882,334.26
Total	6,667,463,126.57	4,341,467,382.86

(1) Interest Receivable

Item	Ending balance	Beginning balance
Fix time deposit	3,435,261.69	-
Entrusted loans	2,328,939.05	22,409,519.80
Wealth management income	5,462.50	1,485,252.08
Total	5,769,663.24	23,894,771.88

(2) Dividends Receivable

Item (or investees)	Ending balance	Beginning balance
Kaikai Shijie	-	2,690,276.72
Total	-	2,690,276.72

(3) Other Receivables

① Other Receivables Disclosed by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other receivables with significant single amount for which bad debt provision separately accrued	173,061,959.33	2.53	162,446,649.23	93.87	10,615,310.10
Other receivables withdrawn bad debt provision according to credit risks characteristics					
Group 1: aging group	153,289,974.82	2.24	25,171,956.87	16.42	128,118,017.95
Group 2: related party group	6,522,463,391.24	95.22	-	-	6,522,463,391.24
Subtotal of groups	6,675,753,366.06	97.46	25,171,956.87	0.38	6,650,581,409.19
Other receivables with insignificant single amount for which bad debt provision separately accrued	703,518.00	0.01	206,773.96	29.39	496,744.04
Total	6,849,518,843.39	100.00	187,825,380.06	2.74	6,661,693,463.33

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	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

Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
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: related party group	4,205,636,078.64	93.41	-	-	4,205,636,078.64
Subtotal of groups	4,326,806,399.43	96.10	24,301,146.90	0.56	4,302,505,252.53
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
Total	4,502,384,539.81	100.00	187,502,205.55	4.16	4,314,882,334.26

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

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	7,500,642.41	41.40	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

Other receivables (unit)	Ending balance			
	Other receivables	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
				liquidation
Total	173,061,959.33	162,446,649.23	—	—

Among these 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	86,586,186.05	1,731,723.72	2.00
1 to 2 years	32,418,836.83	1,620,941.84	5.00
2 to 3 years	9,081,802.21	1,816,360.44	20.00
3 to 4 years	6,783,232.88	3,391,616.44	50.00
4 to 5 years	3,617,204.83	1,808,602.41	50.00
Over 5 years	14,802,712.02	14,802,712.02	100.00
Total	153,289,974.82	25,171,956.87	

②Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB323,174.51; the amount of the reversed or collected part during the Reporting Period was of RMB0.00; there was no other receivables actually verified in the Reporting Period.

③Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables%	Ending balance of bad debt provision
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Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables%	Ending balance of bad debt provision
Electronics Technology	Related-party borrowings	1,072,615,555.55	Within 1 year	15.66	-
Konka Investment	Related-party borrowings	962,025,708.34	Within 1 year	14.05	-
Anhui Tongchuang	Related-party borrowings	597,681,244.45	Within 1 year	8.73	-
Kangzhi Trade	Related-party borrowings	539,227,362.73	Within 1 year, 1 to 2 years	7.87	-
Konka Huanjia	Related-party borrowings	510,130,555.56	Within 1 year	7.45	-
Total	—	3,681,680,426.63	—	53.75	-

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	4,562,175,372.51	46,732,484.69	4,515,442,887.82	1,592,732,345.01	46,732,484.69	1,545,999,860.32
Investment to associated enterprises	1,672,678,055.95	5,158,909.06	1,667,519,146.89	1,108,233,473.19	5,158,909.06	1,103,074,564.13
Total	6,234,853,428.46	51,891,393.75	6,182,962,034.71	2,700,965,818.20	51,891,393.75	2,649,074,424.45

(2) Investment to 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	3,375,987.50	-	3,637,470.00	-	-
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 Technology	90,000,000.00	210,000,000.00	-	300,000,000.00	-	-
Domestic appliance	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	-	-	-
Konka Factoring	200,000,000.00	100,000,000.00	-	300,000,000.00	-	-
Wankaida	10,000,000.00	-	-	10,000,000.00	-	-
Anhui Tongchuang	249,702,612.22	232,000,000.00	-	481,702,612.22	-	-
Shushida Logistics	10,000,000.00	-	10,000,000.00	-	-	-
Beijing Konka	30,000,000.00	170,000,000.00	-	200,000,000.00	-	-
Konka E-display	7,200,000.00	-	-	7,200,000.00	-	-
Kaikai Shijie	16,000,000.00	-	16,000,000.00	-	-	-

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Commercial Technology	5,832,000.00	-	-	5,832,000.00	-	-
Mobile Internet	10,200,000.00	-	-	10,200,000.00	-	-
E2info	-	20,000,000.00	677,960.00	19,322,040.00	-	-
E3info	12,000,000.00	-	-	12,000,000.00	-	-
Dongguan Packing	8,602,009.10	-	-	8,602,009.10	-	-
Chuzhou Konka TID	40,000,000.00	-	-	40,000,000.00	-	-
Konka Ventures	2,550,000.00	-	-	2,550,000.00	-	-
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	-	40,000,000.00	-	40,000,000.00	-	-
Jiangxi Konka	-	689,680,000.00	-	689,680,000.00	-	-
Electronics Technology	-	1,000,000,000.00	-	1,000,000,000.00	-	-
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	-	-
Shenzhen Nianhua	-	30,000,000.00	-	30,000,000.00	-	-
Shanghai Konka	-	40,000,000.00	-	40,000,000.00	-	-
Shenzhen kangxinwei	-	14,000,000.00	-	14,000,000.00	-	-

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Total	1,592,732,345.01	3,350,775,987.50	381,332,960.00	4,562,175,372.51	-	46,732,484.69

(2) Investment to Joint Ventures and Associated Enterprises

Investee	Beginning balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Shenzhen Konka Information Network Co., Ltd.	18,960,898.67	5,158,909.06	-	-	194,455.24	-
Shenzhen Yaode Technology Co., Ltd.	210,279,132.55	-	-	-	11,931,702.63	-
Chutian Dragon Co., Ltd.	617,214,571.50	-	-	-	13,423,191.54	-
Konka Green, Konka	79,729,560.91	-	-	-	-2,107,745.08	788,087.31

Investee	Beginning balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Technology						
Zhuhai Jinsu Plastic Co., Ltd.	9,444,160.97	-	-	-	1,596,085.85	-
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	4,927,589.47	-	-	-	-2,640,110.95	-
Shenzhen Zhongbing Konka Technology Co., Ltd.	14,317,400.80	-	-	-	-3,699,527.01	-
Guangdong Hotcomm Information Technology Co., Ltd.	1,523,166.24	-	-	-	-1,523,166.24	-

Investee	Beginning balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Zhonggao Konka Intelligent Technology (Beijing) Co., Ltd.	-	-	-	-	-	-
Shenzhen OCT LIFE Network Technology Co., Ltd.	-22,084.12	-	3,771,400.00	-	-156,801.82	-
Kunshan Konka	151,859,076.20	-	-	-	-5,012,466.06	-
Kunshan Kangsheng	-	-	-	-	-	-
Kaikai Shijie	-	-	-	2,813,377.36	11,738,814.32	-
Shenzhen Bossier New	-	-	75,000,000.00	-	4,859,338.44	-

Investee	Beginning balance	Increase/decrease				
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
Materials Co., Ltd.						
Helongjiang Longkang Zhijia Technology Co., Ltd.	-	-	7,000,000.00	-	-599,519.48	-
Shaanxi Silk Road Cloud Smart Tech Co., Ltd.	-	-	5,400,000.00	-	-877,490.67	-
Wuhan Tianyuan Environmental Protection Co., Ltd.	-	-	-	-	12,822,900.47	-
Total	1,108,233,473.19	5,158,909.06	91,171,400.00	2,813,377.36	39,949,661.18	788,087.31

(Continued)

Investee	Increase/decrease			Ending balance	Ending balance of depreciation reserve
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Shenzhen Konka Information Network Co., Ltd.	-	-	-	19,155,353.91	5,158,909.06
Shenzhen Yaode Technology Co., Ltd.	-	-	-	222,210,835.18	-
Chutian Dragon Co., Ltd.	-	-	-	624,845,604.93	-
Konka Green, Konka Technology	-	-	-	78,409,903.14	-
Zhuhai Jinsu Plastic Co., Ltd.	-	-	-	11,040,246.82	-
Shenzhen Konka Intelligent Electrical Apparatus Co., Ltd.	-	-	-	2,287,478.52	-
Shenzhen Zhongbing Konka Technology Co., Ltd.	-	-	-	10,617,873.79	-
Guangdong Hotcomm Information Technology Co., Ltd.	-	-	-	-	-
Zhonggao Konka Intelligent Technology (Beijing) Co., Ltd.	-	-	-	-	-
Shenzhen OCT LIFE Network Technology Co., Ltd.	-	-	-	3,592,514.06	-
Kunshan Konka	-	-	-	146,846,610.14	-
Kunshan Kangsheng	-	-	175,254,554.65	175,254,554.65	-
Kaikai Shijie	-	-	26,439,060.09	35,364,497.05	-
Shenzhen Bosser New Materials Co., Ltd.	-	-	-	79,859,338.44	-

Investee	Increase/decrease			Ending balance	Ending balance of depreciation reserve
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Helongjiang Longkang Zhijia Technology Co., Ltd.	-	-	-	6,400,480.52	-
Shaanxi Silk Road Cloud Smart Tech Co., Ltd.	-	-	-	4,522,509.33	-
Wuhan Tianyuan Environmental Protection Co., Ltd.	-	-	239,447,355.00	252,270,255.47	-
Total	-	-	441,140,969.74	1,672,678,055.95	5,158,909.06

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	10,132,713,516.14	9,524,363,828.80	10,023,055,904.38	8,361,637,131.46
Other operations	3,244,968,370.31	3,047,765,335.52	2,079,422,147.13	1,892,456,474.58
Total	13,377,681,886.45	12,572,129,164.32	12,102,478,051.51	10,254,093,606.04

(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	10,132,713,516.14	9,524,363,828.80	10,023,055,904.38	8,361,637,131.46
Total	10,132,713,516.14	9,524,363,828.80	10,023,055,904.38	8,361,637,131.46

(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	9,972,096,889.35	9,375,225,354.05	9,630,486,646.20	8,000,876,316.98
Consumer appliances business	159,656,497.00	148,343,199.68	257,783,425.06	227,475,631.58
Other	960,129.79	795,275.07	134,785,833.12	133,285,182.90
Total	10,132,713,516.14	9,524,363,828.80	10,023,055,904.38	8,361,637,131.46

(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	8,273,508,840.42	7,739,284,541.71	8,939,568,192.59	7,308,147,553.78
Overseas sales	1,859,204,675.72	1,785,079,287.09	1,083,487,711.79	1,053,489,577.68
Total	10,132,713,516.14	9,524,363,828.80	10,023,055,904.38	8,361,637,131.46

(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
2018	2,144,554,134.92	16.03
2017	3,106,309,264.79	25.67

5. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	711,492,879.96	35,923,429.08
Long-term equity investment income accounted by equity method	33,783,935.14	5,042,389.64
Investment income from disposal of long-term equity investment	342,201,410.67	6,325,965,280.00
Investment income from disposal of financial assets at fair value through profit or loss	-45,748,200.91	-15,756,828.90
Investment income from holding of held-to-maturity investments	-	-
Investment income from disposal of held-to-maturity investments	-	-
Investment income from holding of available-for-sale financial assets	17,920,000.00	4,310,000.00
Investment income from disposal of available-for-sale financial assets	-	-
Income from entrust financial products and entrust loans	187,429,014.78	70,030,692.89
Financial assets transferred from equity investments accounted by equity method	-	-5,802,480.51
Total	1,247,079,039.64	6,419,712,482.20

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
Software tax rebates	64,656,609.96	Government grants recognized in the current period, and acquired in the ordinary course of business or granted at certain quotas or amounts according to the government’s unified standards

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	5.14	0.1717	0.1717

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Company			
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	-9.74	-0.3255	-0.3255

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	732,818,574.90	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	-	
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	259,609,022.27	
Capital occupation charges on non-financial enterprises that are recorded into current profit or loss	-	
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	220,045,229.63	
Gain/Loss on non-monetary asset swap	-	
Gain/Loss on entrusting others with investments or asset management	182,022,653.32	
Asset impairment provisions due to acts of God such as natural disasters	-	
Gain/Loss from debt restructuring	-	
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.	-	
Gain/Loss on the part over the fair value due to transactions with distinctly unfair prices	-	
Current net profit or loss of subsidiaries acquired in business combination under the same control from period-beginning to combination date	-	
Gain/Loss incurred from contingency unrelated to the Company's normal operating businesses.	-	

Item	Amount	Note
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	39,542,461.74	
Reverse of bad debt provision of accounts receivable individually conducting impairment test	-	
Gain/loss on entrustment loans	1,389,042.48	
Gain/loss on change in fair value of investment property of which the 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	-	
Custody fee income when entrusted with operation	-	
Other non-operating income and expense other than the above	62,249,326.12	
Project confirmed with the definition of non-recurring gains and losses and losses	17,974,523.98	
Subtotal	1,515,650,834.44	
Income tax effects	251,343,320.95	
Non-controlling interests effects (after tax)	67,121,398.75	
Total	1,197,186,114.73	

Part XII Documents Available for Reference

- I. The financial statements with the signatures and seals of the Company's legal representative, Chief Financial Officer and head of the financial department;
- II. The original copy of the Independent Auditor's Report with the seal of the CPA firm and the signatures & seals of the certified public accountants;
- III. 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
- IV. Other relevant materials.

The Board of Directors
Konka Group Co., Ltd.
28 March 2019